

AGENDA

COMMITTEE ON FINANCE

Meeting: 2:15 p.m., Tuesday, March 16, 1999
Auditorium

Anthony M. Vitti, Chair
Laurence K. Gould, Jr., Vice Chair
William D. Campbell
Martha C. Fallgatter
Harold Goldwhite
Eric C. Mitchell
Joan Otomo-Corgel
Frederick W. Pierce, IV
Ali C. Razi
Michael D. Stennis
Stanley T. Wang

Consent Items

Approval of Minutes of Meeting of January 26, 1999

Discussion Items

1. Status Report on the 1999/2000 Support Budget, *Information*
2. Auxiliary Organization Tax-Exempt Financing at California State University, Monterey Bay, *Information*
3. Private Sector Participation in the Development of The Village at Centennial Square on the Campus of San Francisco State University, *Action*

**MINUTES OF MEETING OF
COMMITTEE ON FINANCE**

**Trustees of The California State University
Glenn S. Dumke Conference Center
400 Golden Shore
Long Beach, California**

January 26, 1999

Members Present

Anthony M. Vitti, Chair
Laurence K. Gould, Jr., Vice Chair
Martha C. Fallgatter
Harold Goldwhite
William Hauck, Chairman of the Board, ex officio
Eric C. Mitchell
Joan Otomo-Corgel
Frederick W. Pierce, IV
Charles B. Reed, Chancellor, ex officio
Ali C. Razi
Michael D. Stennis
Stanley T. Wang

Members Absent

William D. Campbell

Other Trustees Present

Bob Foster
Ralph R. Pesqueira

Chancellor's Office Staff

David S. Spence, Executive Vice Chancellor
Richard P. West, Senior Vice Chancellor, Business and Finance
Douglas X. Patiño, Vice Chancellor, University Advancement
Christine Helwick, General Counsel
Samuel A. Strafaci, Interim Senior Director, Human Resources

Presidential Liaisons

Ruben Armiñana, President, Sonoma State University, present
Albert K. Karnig, President, California State University, San Bernardino, present

Chair Vitti called the meeting to order at 1:23 p.m.

The minutes of November 10, 1998, were approved.

Status Report on the 1999/2000 Budget

Chair Vitti asked Mr. Richard P. West, senior vice chancellor, business and finance, to present the information item. Senior Vice Chancellor West reported that the Governor's Budget was introduced in early January. He then presented a slide overview comparing the differences between the trustees' budget, which was approved and submitted in November, and the contents of the governor's revisions to the trustees' recommendations.

With respect to the Compact issue, Senior Vice Chancellor West reported that due to the transition of administrations during the election period, conversations regarding the Compact had reached only a preliminary stage and that there is no formal Compact at this time. The new budget does not rule out the possibility of a Compact; however, it cites accountability measures and improved performance indicators with the UC and CSU as areas of concern.

Senior Vice Chancellor West noted that in the past few years, the trustees' budget had essentially been reproduced as the Governor's Budget. That is not the case in this year's budget. He explained there wasn't a specific spending plan but, rather, an identification of certain amounts of revenue and certain expenditures which were endorsed or requested by the governor. Areas of differing views included assumptions on productivity savings, carry forward money, and funding for unanticipated dental benefit coverage for CSU retirees. A request for additional funds for technology implementation was not approved. Areas that remained constant were the endorsement of the 3 percent enrollment growth request and funding for plant maintenance.

Chair Vitti expressed his frustration about the lack of a clear signal regarding the Compact. Senior Vice Chancellor West stated that the summary of the current budget does not rule out the possibility of Compact negotiations. He reiterated that the initial budget submission was made to a very different administration and that this administration is dealing with things on a different level. He said the new administration is willing to negotiate; however, current scheduling problems have not yet allowed this to happen.

Student representative Christy Zamani reported that the students do not support the proposed 10 percent fee increase for nonresident students. Senior Vice Chancellor West thanked her for her input on behalf of the students and said he neglected to mention that a portion of the budget does call for a nonresident tuition student fee. He said discussions with the presidents and the Department of Finance are still in process and a decision on this issue will be made in March.

Trustee Frederick W. Pierce, IV inquired about the status of revenue projections and what we might be able to expect between now and May. Senior Vice Chancellor West replied that there is very little information available at this time but everything appears to be close to what has been forecasted with only slight variations. He noted the Department of Finance does not normally make a real call on revenues until after income tax collections are made in April.

Senior Vice Chancellor West said this was a starting point and that we will continue to be aggressive in pursuing our initial budget request for the May Revision. This is by design, a first cut budget and depends on what actual state revenues will be available after income tax. In summary, Senior Vice Chancellor West concluded by saying that we have a very modest projected increase that reflects what is realistic at the moment.

Proposed Revision of Title 5 Regulations—Functions of Auxiliary Organizations

Senior Vice Chancellor West presented the action item and noted that the item was initially presented at the January 1999 meeting for information.

At the November 1998 meeting of the Board of Trustees, the trustees approved a consolidated financing policy. The item calls for the trustees' approval to take final action on implementing a change to Title 5 in order to conform Title 5 to the policy action taken at the November meeting. Senior Vice Chancellor West reviewed the proposed changes which would essentially streamline the process by which financing activities of auxiliary organizations are brought to the board.

The item would also delegate authority to the chancellor, and in turn to the presidents, to perform refinancings in order to take advantage of favorable market conditions, as long as there was no increase in debt or principal associated with the transaction.

Trustee Harold Goldwhite asked about a January 22, 1999, letter of opposition from the Associated Students president at CSU Chico. Senior Vice Chancellor West replied that the proposed action is consistent with the authority and policy of the board. It would make more specific that authority by expressly requiring approval of financings.

A student representative questioned delegation of authority to the presidents in this area. Senior Vice Chancellor West replied that discussions have taken place with the CSSA regarding this issue. The bottom line is that such delegation is consistent with board policy and is therefore recommended for approval.

The committee recommended approval of the proposed resolution (RFIN 01-99-01).

Adjournment

The meeting adjourned at 1:50 p.m.

BRIEF

Information Item

Agenda Item 1
March 16-17, 1999

COMMITTEE ON FINANCE

Status Report on the 1999/2000 Support Budget

Presentation By

Richard P. West
Executive Vice Chancellor and Chief Financial Officer

Summary

By the time the board meets, legislative hearings will have begun. Chancellor Reed made presentations on February 17 at Senate and Assembly subcommittees overview hearings on the CSU budget proposal based on the Governor's Budget and the Board of Trustees' request. In addition, the Legislative Analyst's Office has published its Analysis of the 1999/2000 Budget Bill. A summary of the LAO report related to the CSU Support Budget will be distributed at the meeting.

Specific hearings on the CSU support budget are to be held March 10 in the Senate and March 24 in the Assembly. Capital Outlay budget discussions are scheduled for April 14 in the Senate and April 21 in the Assembly.

A status report of the 1999/2000 Support Budget to date will be made.

BRIEF

Information Item

Agenda Item 2
March 16-17, 1999

COMMITTEE ON FINANCE

Auxiliary Organization Tax-Exempt Financing at California State University, Monterey Bay

Presentation By

Richard P. West
Executive Vice Chancellor and Chief Financial Officer

Summary

This agenda item is to inform the Board of Trustees of a proposed tax-exempt borrowing by a recognized auxiliary organization of the California State University to finance the renovation of a residence hall and classroom/office facility for the California State University, Monterey Bay campus.

The financing transaction will not create any obligation of the state of California or the trustees. The bonds will be issued by the CSU Monterey Bay Foundation on a parity basis with outstanding revenue bonds of the foundation pursuant to a prior trust agreement entered into by the foundation and a bank serving as trustee for the bonds. The bonds are general obligations of the foundation secured by pledged foundation revenues.

The tax-exempt financing of the auxiliary organization will proceed pursuant to the chancellor's delegation in the Board of Trustees' CSU Policy for Financing Activities.

ITEM

2

Agenda Item 2
March 16-17, 1999

COMMITTEE ON FINANCE

Auxiliary Organization Tax-Exempt Financing at California State University, Monterey Bay

This agenda item is presented to the Board of Trustees as an information item. The California State University, Monterey Bay Foundation, a recognized auxiliary organization in good standing, is proposing a tax-exempt borrowing in an amount not to exceed \$6.7 million to finance the cost of renovating a residence hall and classroom/office facilities for the campus.

The financing transaction will not create any obligation of the state of California or the trustees. The bonds will be issued by the California State University, Monterey Bay Foundation on a parity basis with outstanding revenue bonds of the foundation pursuant to a prior trust agreement entered into by the foundation and a bank serving as trustee for the bonds. The bonds are general obligations of the foundation secured by pledged foundation revenues.

Subsequent to the review of this item by the Board of Trustees, the chancellor will take the necessary action on behalf of the board to assist the auxiliary pursuant to the chancellor's delegation in the Board of Trustees' CSU Policy for Financing Activities.

Background

As part of its vision to establish a residential campus, CSU Monterey Bay requires all first-time freshmen and sophomores to live in a residence hall, unless they obtain a waiver. The foundation currently operates the various types of on-campus housing for students, faculty, staff, and employees of certain other institutions (known as educational partners).

The portion of Ford Ord transferred to the trustees to establish California State University, Monterey Bay included 19 military barracks in the main campus area. Five of the 19 military barracks received by the campus have been converted to residence halls. This foundation borrowing will provide the needed funds to convert additional military barracks into a residence hall. The campus reports that approximately 90 percent of the residence halls are occupied. Occupancy in the residence halls has increased from 81 percent in 1996/97 to a projected occupancy of 100 percent in 1998/99. The expected occupancy rate with the new residence hall is projected to be approximately 85 percent in 1999/00, increasing to 95 percent of available spaces in subsequent years. The growth in occupancy is attributed to the increases in student enrollment. The campus concludes that, under the same assumptions of enrollment growth and a fixed percentage of total students living on campus, demand for housing will far outpace available housing. This renovation project will add approximately 150 additional bed spaces, bringing available bed spaces up to 630; and based on campus projections it will allow the foundation to meet fall 1999 demand for student housing on campus.

Project Description

The project site consists of a three-story, 22,000 gross square foot building located within the main campus quad. In addition, approximately .5 million of the bond proceeds will be utilized to renovate 10,000 square feet of usable space for shorter term use in university building number 45. This renovated space will provide faculty offices, some classroom space, and space for other support services.

The foundation has determined that it is in its best interest to award the renovation of the residence hall to the same firm that renovated the previous four residence halls. A separate item will be presented to the trustees' Committee on Campus Planning, Buildings and Grounds at this meeting requesting that the trustees amend the Campus Nonstate Capital Outlay Program for the design and construction of the residence hall renovation project.

Auxiliary Organization Financing

The bonds will be issued by the CSU Monterey Bay Foundation on a parity basis with outstanding revenue bonds of the foundation pursuant to a prior trust agreement entered into by the foundation and a bank serving as trustee for the bonds. The bonds are general obligations of the foundation secured by pledged corporation revenues. The pledged corporation revenues consist of all student housing and non-student housing revenues. This pledge will be limited to only student housing revenues after the delivery by the foundation of a student housing revenue coverage certificate stipulating that the net student housing revenues available for debt service for each of the three preceding fiscal years equal or exceed 1.25 times maximum aggregate annual debt service with respect to the bonds and all parity debt then outstanding.

The non-student housing revenues also include all proceeds received by the California State University, Monterey Bay Employee Housing, Inc., from the ownership, sale, and/or operation of certain housing units located in the university as stipulated in a security agreement. The amount pledged under this security agreement along with the pledged corporation revenues, and other amounts held by the trustee under the indenture, also secure on a parity with the new bonds, the foundation's outstanding \$11.9 million of certificates of participation through the California Statewide Communities Development Authority. This previous financing served to refinance the renovation of student residence halls and to finance the construction of other university facilities.

The following summarizes key information on security for the proposed financing:

Financed amount not to exceed:	\$6,700,000
Term:	25 years
Projected rate (all-inclusive cost):	5.5295%
Debt service coverage (all auxiliary revenues)	2.59
Bond insurance commitment	Received from MBIA.
Bond intrinsic rating before bond insurance	None; however, acceptance for bond insurance by MBIA will result in investment grade bond credit rating.

4
Fin.
Agenda Item 2
March 16-17, 1999

Other Information

On January 9, 1998, the IRS issued a private letter ruling permitting the categorization of certain auxiliary organizations as “instrumentalities of the state” for tax-exempt financing purposes. While the ruling relates to a specific future auxiliary transaction not associated with this financing, Orrick, Herrington and Sutcliffe LLP (bond counsel to the trustees and also special counsel for the transaction described herein) indicates that if the circumstances which form the basis of the ruling are similar in other auxiliary transactions, those transactions may also be accomplished under the more streamlined procedures.

Orrick, Herrington and Sutcliffe LLP has reviewed the circumstances for the proposed financing and determined that they are substantially similar to the circumstances in the private letter ruling. Therefore, the foundation may take advantage of less restrictive provisions of the tax law and streamline some procedures that result in financing cost savings. The ruling also permits the subject organization to cause tax-exempt governmental obligations to be issued in its own name, without taking the additional steps and incurring the additional costs that are associated with the issuance of tax-exempt obligations through a third party governmental unit, which would be more complicated and costly.

BRIEF

Action Item

Agenda Item 3
March 16-17, 1999

COMMITTEE ON FINANCE

Private Sector Participation in the Development of The Village at Centennial Square on the Campus of San Francisco State University

Presentation By

Robert A. Corrigan, President
San Francisco State University

Richard P. West
Executive Vice Chancellor and Chief Financial Officer

Summary

This item requests the Board of Trustees to approve a final development plan for a joint public/private alliance to design and construct The Village at Centennial Square, a mixed-use project to include on-campus apartments, a new student services building, commercial space and off-street parking. The project will also include the demolition of Verducci Hall, a vacant student residence hall that was damaged during the 1989 Loma Prieta earthquake. San Francisco State University (SFSU), after nine years of negotiations, received a Federal Emergency Management Agency (FEMA) award of \$9.6 million in June 1998 to replace Verducci Hall. Of the \$9.6 million, FEMA requires \$2.4 million to be provided from state or university funds. This project incorporates the use of the FEMA settlement proceeds, some special financial arrangements with the selected developer, and a tax-exempt financing by a recognized campus auxiliary organization to construct and operate the proposed complex. If the Board of Trustees approves the development plan, the tax-exempt financing of the auxiliary organization will proceed pursuant to the delegation to the chancellor consistent with the CSU Policy for Financing Activities.

Recommended Action

Approval of the development plan.

ITEM

2

Agenda Item 3

March 16-17, 1999

COMMITTEE ON FINANCE

Private Sector Participation in the Development of The Village at Centennial Square on the Campus of San Francisco State University

The Board of Trustees, at its November 10-11, 1998, meeting, approved the concept of a plan in which San Francisco State University (SFSU) would utilize a joint public/private partnership to design and construct The Village at Centennial Square, a mixed-use project to include on-campus apartments, a new student services building, commercial space and off-street parking. The concept plan also included the demolition of Verducci Hall, a vacant student residence hall that was damaged during the 1989 Loma Prieta earthquake.

Upon approval of the concept plan, the campus studied several options before reaffirming that the most prudent approach to completing such a project in a timely and cost-effective manner is a joint public/private effort. The campus further determined that it would be advantageous to obtain financing for the project through the San Francisco State University Foundation (the Foundation), a recognized auxiliary organization in good standing. Toward this end, SFSU and the Foundation implemented a competitive selection process resulting in a negotiated development agreement with the Catellus Residential Group (CRG). The campus is now seeking final approval of the development plan. Approval of a master plan change, nonstate funded capital outlay, and schematic plans for the project are also being requested through agenda items at this meeting before the Committee on Campus Planning, Buildings and Grounds.

Background

On October 17, 1989, the Loma Prieta earthquake damaged the 15-floor, 760-bed dormitory, Verducci Hall. Initially the damage was evaluated as limited and students were housed in half of the building. With asbestos abatement under way, new engineering reports revealed that the entire building was unsafe for occupancy of any kind. The building was closed in the fall of 1991. Negotiations with the Federal Emergency Management Agency (FEMA) continued for almost nine years, progressing to the final award of \$9.6 million to replace Verducci Hall.

The 1990s brought increasing demand for on-campus housing. Since August 1994 SFSU has added 138 beds for total net-rentable bed spaces of 1,460. Even with these measures, SFSU had waiting lists as high as 800 at the beginning of the last three semesters. This demand has been compounded by the high rents and low vacancy rates in the surrounding neighborhoods. San Francisco has experienced less than 1 percent vacancy in the past year. The need to replace the 760 beds that were in Verducci Hall is urgent.

The Project

This project, in addition to constructing a 760-bed student apartment complex, will include demolition of Verducci Hall and construction of a 50,000-square-foot student services building to house a broad range of support services in a one-stop facility. A plan approved last year to renovate the old Corporation Yard to provide a limited one-stop operation for student services has been expanded and incorporated in this project. Other aspects of the project include off-street parking, ancillary commercial and retail space, and commons and garden areas for use by all members of the campus community.

The design and construction plan for The Village at Centennial Square is the result of a competitive process. SFSU issued a Request for Qualifications (RFQ) on October 5, 1998. There were six developer responses, of which two were qualified. The San Francisco State University Foundation, Inc., issued its Request for Proposal (RFP) to these two private corporations on November 20, 1998. A letter of Intent to Award was issued to Catellus Residential Group (CRG) on January 11, 1999. Negotiations with CRG resulted in a Development Agreement between The Foundation and CRG that provides for the demolition of Verducci Hall and the construction of The Village at Centennial Square. It also contains certain financial and operational features that create an on-going relationship with CRG (described below).

The total estimated cost of The Village at Centennial Square is \$48,790,000. Under the proposed project plan, the San Francisco State University Foundation will lease the campus land from the university and contract with CRG through the negotiated Development Agreement to build the facility. The Foundation will own and operate the housing, parking and commercial space for the benefit of the campus, and lease the new student services facility to the university. The Foundation intends on hiring an outside contractor to manage the operation of the student housing, the parking and the Student Services area.

Financial Plan

Funds to construct the project will come to the Foundation from several sources. The \$9.6 million in FEMA settlement funds, which requires matching funds, will be provided to replace student housing. The developer will provide \$1 million of the project capital as an advance, and the Foundation will sell tax-exempt bonds in an amount not to exceed \$48.5 million to fund the remaining amount needed to construct the complex, capitalize interest during construction, establish required bond reserves, and pay the cost of issuance. The Foundation will lease the space in the new student services facility to the university for the life of the financing, for only rent to cover costs for operations, repairs and maintenance, and excluding any recovery for construction or financing costs related to the student services facility.

FEMA Funds: The FEMA settlement of \$9.6 million is composed of funds from two sources. FEMA will provide \$7.2 million and require the university or the state to fund the remaining 25 percent, or \$2.4 million. The effort to reach a settlement with FEMA has taken nine years of very difficult negotiations. Initially, FEMA offered only \$350,000 to make repairs, an amount that would not result in a complete and safe fix for Verducci Hall. Continued and persistent negotiations resulted in increasing the FEMA offer to \$9.6 million, which was still well short of the funds needed to repair Verducci Hall in compliance with California's building code. However, FEMA agreed to the current \$9.6 million settlement with the understanding that the university would strive to replace all 760 beds in a new facility by the fall 2000 term. The project needs to go forward at this time in order to meet that deadline.

The CSU is seeking a budgetary request supplement to provide the state match of \$2.4 million to allow the university to accept the FEMA settlement for Verducci Hall. If these funds are not forthcoming from successful legislative efforts in this session, the funds will be provided from university operations or fund-raising efforts, or from other system funds allocated by the chancellor.

Foundation Bonds: The Foundation's bonds will be limited revenue obligations of the Foundation. Bondholders will have no recourse to the general funds or other assets of the Foundation, as the bonds are to be secured by the revenues derived from the project comprised primarily of student housing fees, and revenues to the Foundation from retail operations and parking. The bonds will be further secured by a rent-up guarantee from the developer of one to two years of operation. The final terms of the negotiations will be reported at the March board meeting.

In addition, the financing team for the project continues to look at options for the structure of the financing. The bond issue is being reviewed by Standard and Poor's and Moody's to obtain an investment grade rating. In addition, the financing team is soliciting a policy of municipal bond insurance to be issued by a nationally recognized and rated bond insurer. At the time this item was prepared, the financing team had received no commitments for either a bond rating or bond insurance. Final arrangements of the financing will be presented at the March board meeting.

The following chart summarizes the project financing assuming the purchase of bond insurance.

Par amount of the bonds (not to exceed value)	\$48,500,000
FEMA settlement funds	9,600,000
Developer advance	<u>1,000,000</u>
Total sources	\$59,100,000
Underwriters discount	\$ 728,000
Cost of issuance	200,000
Gross bond insurance premium	2,113,000
Deposits to debt service reserve fund	3,229,000
Deposits to capitalized interest fund	4,269,000
Construction fund deposit	
(\$48,790,000 less \$1,361,000 in expected interest)	47,429,000
Contingency for interest rate changes*	<u>1,132,000</u>
Total uses	\$59,100,000

* At the time of the sale, the par amount of bonds will be reduced to offset unneeded funds

The following chart summarizes important information on the proposed financing structures at the time this agenda item was prepared and reflects the then-estimated market conditions.

Financed amount, not to exceed:	\$48,500,000
Term:	32 years
Debt service coverage (depending on structure):	
Stand alone investment grade bond issue:	1.37
ACA insured bond issue:	1.33
Total interest cost (depending on structure):	
Stand alone investment grade bond issue:	5.60%
ACA insured bond issue:	5.82%

Key Elements of the Development Plan

There are some key elements to the development plan that are of particular significance for the CSU. The primary document, which forms the basis for many of these issues, is the Development Agreement negotiated with CRG and its appended agreements. The following lists key business points contained in these and other project documents.

- CRG provides a “not to exceed” completion price for the project within the Foundation’s deadline to begin operations in the fall of 2000.
- With a project management contract, SFSU provides professional project management and oversight service for the design and construction of the project from programming through post-construction.
- The university receives use of a 50,000-square-foot student services facility and agrees to pay rent to cover operating expenses, operating reserves and capital reserves required by the Foundation to keep the facility in first-class condition. The rent does not include any costs related to constructing the space and is not pledged to bond investors for repayment of Foundation debt.
- Foundation locks in long-term financing for the project at favorable interest rates not to exceed \$48,500,000. At no time would any funds of the CSU nor the general funds of the Foundation be at risk to make any payments relating to the transaction.
- FEMA provides \$7.2 million and requires state or university matching funds of \$2.4 million for the project construction.
- CRG provides a \$1 million advance for the project construction.
- CRG provides the rent-up guarantee to guarantee funds to pay debt service for up to two years. The rent-up guarantee consists of an unsecured promise by CRG to make up the shortfall in revenue needed for payment of debt after expenses for operations. CRG will have the right to review budgets and require adjustments in rental rates and charges during the guarantee period. Final terms of the rent-up guarantee will be reported to the Board of Trustees at the March meeting.
- The Foundation obligates itself to pay an annual amount of approximately \$350,000 to CRG for a ten-year period. This payment is based on a principal amount of \$2,885,000 and interest at 4 percent. The obligation by the Foundation, in the form of a promissory note, is in consideration of the development services, the completion guarantee, the developer advance, and “other undertakings” provided by CRG.
- Only funds of the Foundation derived from operating the project, as supported by a developer’s rent-up guarantee and the bond insurance, if obtained, would be used for repayment purposes.

6

Fin.

Agenda Item 3

March 16-17, 1999

- The approval of the bonds does not create any obligation of the State of California, the Board of Trustees of the California State University, or San Francisco State University, and the action will not pledge any credit of the state, the trustees or the university.
- The university receives title from the Foundation to The Village at Centennial Square at the end of the financing.

Other Financing Information

A housing proposal review committee was convened by the chancellor to review impacts of the proposed plan on other campus housing operated by the campus, and to provide an outside look at the plan. The committee made recommendations for additional campus review of student demand data, and financial and operational effects on other campus housing. The campus has obtained additional supporting demand data and through its reviews of current housing is confident that the existing housing program operated by the campus through the Dormitory Revenue Fund will remain financially viable and operationally sound.

On January 9, 1998, the IRS issued a private letter ruling to the Board of Trustees permitting the categorization of certain auxiliary organizations as “instrumentalities of the state” for tax-exempt financing purposes. While the ruling relates to a specific future auxiliary transaction not associated with the Foundation financing of the project, Orrick, Herrington & Sutcliffe LLP (bond counsel to the trustees and also special counsel for the transaction described herein) indicates that if the circumstances which form the basis of the ruling are similar in other auxiliary transactions, those transactions may also be accomplished under the more streamlined procedures.

Orrick, Herrington & Sutcliffe LLP has reviewed the circumstances for the proposed Foundation financing and determined that they are substantially similar to the circumstances in the private letter ruling. Therefore, the Foundation may take advantage of the less restrictive provisions of the tax law and streamline some procedures, which result in financing cost savings. The ruling also permits the subject organization to cause tax-exempt governmental obligations to be issued in its own name, without taking the additional steps and incurring the additional costs that are associated with the issuance of tax-exempt obligations through a third party governmental unit, which would be more complicated and costly.

Following the consideration of this action item by the Board of Trustees, the chancellor or the executive vice chancellor and chief financial officer may take appropriate action to approve the bonds in the name of the trustees, as authorized by the CSU Policy for Financing Activities, approved by the Board of Trustees on November 11, 1998 (RFIN 11-98-18).

The following resolution approving the development plan for the project is recommended.

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

1. Approves the development plan for The Village at Centennial Square as presented in Agenda Item 3 of the March 16-17, 1999, meeting of the Trustee's Committee on Finance and as negotiated by San Francisco State University, the San Francisco State University Foundation and the Catellus Residential Group.
2. Confirms the chancellor's authority to enter into such leasing and other associated agreements as necessary to implement the development plan as approved by the Board of Trustees.