AGENDA
COMMITTEE ON FINANCE

Meeting: 1:45 p.m., Tuesday, January 25, 2011
Glenn S. Dumke Auditorium

William Hauck, Chair
Linda A. Lang, Vice Chair
Roberta Achtenberg
Nicole M. Anderson
Kenneth Fong
Margaret Fortune
Raymond W. Holdsworth
A. Robert Linscheid
Henry Mendoza
Glen O. Toney

Consent Item

Approval of Minutes of Meeting of November 9, 2010

Discussion Items

1. Report from the Auxiliary Review Committee, Information
3. California State University Education Doctorate Tuition Fee for 2011-2012 Academic Year, Action
4. Proposed Title 5 Revision: Claims for Damages Filed Against the Board of Trustees, Action
5. Proposed Title 5 Revision: Lost Property, Action
6. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for a Project, Action
MINUTES OF THE 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 9, 2010

Members Present

William Hauck, Chair
Roberta Achtenberg
Nicole M. Anderson
Kenneth Fong
A. Robert Linscheid
Henry Mendoza
Glen O. Toney

Approval of Minutes

The minutes of September 21, 2010 were approved by consent as submitted.

Systemwide Student Charges – Change in Terminology: Fees to Tuition

Executive Vice Chancellor and Chief Financial Officer Benjamin F. Quillian provided for information the chancellor’s plan to change the terminology used to refer to certain charges assessed to students. Dr. Quillian explained that historically the State of California sought to provide a “tuition free” higher education to qualified California residents. That was the guiding principle in the 19th century when the University of California was established, and that principle was woven into the Donahoe Higher Education Act enacted by the legislature in 1960. He also provided background from the Master Plan where the assumption that a student’s higher education would be borne by the state, and “tuition free,” served as a standard.

Explaining that it is no longer meaningful or accurately descriptive to claim the university is “tuition-free,” Dr. Quillian described how the use of the term “fees” can be misleading and imply that fees pay for specialized or optional services. In the CSU, the plan is to continue to use the term “fee” for those special charges that support student government or student unions and the term “tuition” to describe more accurately the use of revenue, which supports the basic needs of academic programs, student services, student financial aid, libraries, technology, and other areas of institutional support and maintenance of instructional facilities.

Speaker of the Assembly John Pérez acknowledged that his role as speaker would not have occurred if not for California’s public education system. He questioned the pressures this kind of
shift would have on the general fund when changing the definitions with respect to funding eligibility and what the change in terminology might mean for broader access to the CSU. He declined to support any action taken. Trustee Achtenberg noted that a complex institution the size of the CSU is unable to adequately plan, administer, create sections, and hire faculty while waiting for the legislature to respond to difficult decisions. She acknowledged that there is virtue in taking time to consider whether or not to change terminology as changing the terminology is not really the issue, but rather whether or not a free public higher education is desirable in this state. Lieutenant Governor Abel Maldonado urged the committee to be reasonable, open-minded, and pragmatic in regard to raising fees. He stated he would not support fee increases. Trustee Guzman noted that a decision to change the terminology would have significant long-term ramifications. She added that the board should not be making public policy decisions that significantly alter legislative intent behind creating our system. Trustee Carter reminded the committee that this is not an issue requiring a vote at this time. He noted that Dr. Reed is prepared to carefully consider the advice given and that the chancellor does not plan to make an abrupt decision.

**2010-2011 Student Fee Report**

In his presentation for information, Assistant Vice Chancellor for Budget Robert Turnage noted that the Board of Trustees is presented with an annual campus student fee report to enable consideration of the fee level charged to CSU students. Summary tables in Mr. Turnage’s report included the 2010-11 academic year, resident, undergraduate student fees required to enroll in or attend the university, by campus, and a comparison of 2009-10 to 2010-11 summary fee levels by campus. Also, included were tables with fee levels at the CSU’s 15 public comparison institutions historically referenced by The California Postsecondary Education Commission for faculty compensation and student fee comparisons.

Mr. Turnage explained that the CSU 2010-11 academic year resident, undergraduate student fees included the systemwide State University Fee (SUF) and mandatory campus-based fees. Systemwide and campus-based fees average $5,180. This was comprised of $4,230 for undergraduate SUF (6.1 units or more) and $950 for average campus based fees that must be paid to enroll in, or attend the university. The 2010-11 systemwide State University Fee increased $204 (5%) from the 2009-10 fee rate. The average campus-based fees of $950 were mandatory to enroll in, or attend the university and represented an $83 (9.6%) increase from the prior year.

He urged the committee to remember that despite some large percentage increases in fees over the course of this decade, that by comparison, the CSU has remained a relatively affordable institution. There were no questions.
Report on the 2010-2011 Support Budget

As an information item, Robert Turnage presented the 2010-2011 support budget—highlighting that the governor and the legislature together realized that higher education was a priority. He noted that the governor’s budget proposed (1) restoring $305 million of one-time cuts made in 2009-10 and (2) providing 2.5 percent enrollment growth. The budget act adopted these proposals with one change: the substitution of $106 million of one-time federal funds as part of the $305 million restoration. Despite the one-time nature of these federal funds, the budget act treats the federal monies as helping the CSU to serve a state-set target of 339,873 full-time equivalent students (FTES) in the 2010-11 fiscal year.

Mr. Turnage explained that while a “positive” budget, the 2010-11 budget for the CSU provides a basic restoration of funds that allows for partial recovery of enrollment levels and jobs, with little or no margin for anything else. He pointed out that the amount of state funding provided to the university—$2.6 billion—is no higher than the amount provided five years ago, when costs were lower and there were fewer students to serve. He also added that a look at the overall state of the state’s fiscal condition reveals budget contingencies and some assumptions regarding federal money that may be overly optimistic. There were no questions.

Mid-year Tuition Increase

Dr. Quillian summarized board action taken in June 2010 when a 5 percent tuition increase in recognition of a State Assembly proposal to provide additional state funds made it possible for the university to limit its 2010-11 tuition increase to 5 percent rather than 10 percent. Further he explained how, in August, the legislature’s budget conference committee rejected the Assembly proposal and the final enacted state budget lacked the replacement state funds, leaving CSU resources short of the governor’s budget plan for 2010-11.

Dr. Quillian noted that the analysis contained in this agenda item indicates a mid-year adjustment of an additional 5 percent is needed in order to fulfill the budget’s promise to restore authentic access to students—that is, to restore access to courses and the range of services students need to succeed and graduate. Additionally, he explained how the enacted state budget for 2010-11, combined with the 5 percent tuition increase approved by the board in June, adds about $416 million. Of this amount, $106 million is one-time federal money, which adds significant risk to CSU resources going forward into 2011-12 and beyond. Thus, under the current enacted budget, the university’s resources fall short of the effective level of 2007-08 by about $64 million (after accounting for mandatory costs), with risk that this gap could grow substantially in 2011-12.

Mr. Turnage provided additional details and recommended that the board adopt a mid-year adjustment of 5 percent, taking effect for spring term at semester campuses and winter term at quarter campuses. This action would restore approximately $27 million (net of financial aid) to the university’s resources for the 2010-11 fiscal year and would aid campuses in offering course sections and student services for those terms. This would still leave the CSU about $27 million
short of the governor’s budget plan for 2010-11. This is because the mid-year adjustment would not retroactively affect tuition rates for the fall 2010 term. This also means the full-year effect of this mid-year adjustment—which would be felt in 2011-12 and each year beyond—would be approximately $54 million. For winter/spring of 2011, the mid-year adjustment would allow the 23 campuses to offer a total of approximately 3,000 additional course sections, reduce class sizes, and further expand services for the substantially increased number of students expected on our campuses this winter and spring. The magnitude of these additional course offerings and services for students would be doubled in 2011-12. Earlier in the agenda, the committee heard from 13 public speakers on the subject. After a brief discussion, the committee recommended board approval for a mid-year tuition increase (RFIN 11-10-09).

Approval of the 2011-2012 Support Budget

Acknowledging the state’s fragile fiscal condition, Dr. Quillian and Mr. Turnage presented for the board’s review and approval a recommended CSU support budget request for 2011-12. Noting that a mid-year budget reduction could have severe impact on students, Dr. Quillian pointed out that the revenue picture for the state will grow worse due to three temporary tax increases set to expire by the end of the 2010-11 fiscal year. Nevertheless, the planning approach—tempered by recognition of the state’s ongoing fiscal challenge—represents a credible statement of the university’s key funding needs.

Further, Mr. Turnage explained that while the recommended expenditure change is $439.8 million, the increase over total current spending is actually less than $439.8, minus $106 million of one-time federal stimulus money or $334 million (7.6 percent) above total current spending of about $4.3 billion. This is due to the fact that the planned replacement of $106 million of federal funds results simply in the continuation of that amount of current spending.

Mr. Turnage noted that the revenue plan asks the state to provide an increase of $378.7 million in total state general funds and a $61 million increase in tuition revenue. In summary, he explained that the revenue plan strikes a balance in meeting the increased expenditure needs of the CSU between an amount that can be requested from the state with credibility and an amount that can be reasonably provided through tuition, given the severe fiscal challenges still faced by the state. This 2011-12 budget request provides the incoming governor and legislature with an achievable plan for reinvestment in the CSU for the sake of California’s economic and social future. It also provides the governor and legislature the opportunity to mitigate the amount that otherwise is needed from a tuition increase by proposing a state “buy out” of the tuition increase.

Chancellor Reed noted the rising costs of employee health care premiums – expressing that in the last five years, annual premium costs have increased by $104 million. Student Trustee Nicole Anderson commented that she would be voting yes on the support budget and no on the tuition increase. Speaker Pérez explained that the legislature will be facing between $12-$15 billion deficit next year, so existing options will be smaller in the coming budget year, than in the past.
With no further questions, the committee recommended board approval for the 2011-2012 Support Budget (RFIN 11-10-10).

**Tuition Increase – 2011-2012 Academic Year**

Dr. Quillian and Mr. Turnage presented the committee with background and analysis on the 2011-12 support budget and the need for an increase in tuition for the 2011-12 academic year. Dr. Quillian explained that going into 2011-12, it is important to sustain the current levels of enrollment and continue to provide the quality instruction and services that CSU students require. And despite efforts to reduce costs and create efficiencies, the CSU will need an increase of at least $115 million in revenue. Of this amount, $106 million is tied to the absolute need to replace $106 million of one-time federal funds and the remaining $9 million is due to mandatory costs associated with energy costs and the operation of newly constructed facilities.

Mr. Turnage presented PowerPoint slides in support of the proposed actions including an overview of general funds appropriations year by year from the state to the CSU.

Speaker Pérez questioned whether the presented data served as an accurate representation or an overall financial reality and cited recent statistics from the Legislative Analyst’s Office (LAO). Mr. Turnage explained how often presentations made by the LAO do not take into account the fact that one-third of CSU fee revenue is redirected to financial aid. Speaker Pérez maintained that the LAO numbers he was citing did take into account redirection to financial aid. Taking into account all funding sources, net revenues from fees and federal, the CSU still absorbed $135 million of increased annual costs due to mandatory cost increases.

With no further questions, the committee recommended board approval for a tuition increase for the 2011-2012 academic year, effective fall 2011 (RFIN 11-10-11).

**2011-2012 Lottery Revenue Budget**

Mr. Turnage presented to the committee for action the lottery revenue budget proposal for fiscal year 2011-12. The lottery revenue projection for 2011-12 is $44 million. After setting aside $3 million for the CSU’s systemwide reserve, $41 million is available for allocation.

Mr. Turnage noted that the CSU does not anticipate any additional carry forward funds in 2011-12 above the planned $3 million budget reserve. The $3 million reserve is used to assist with cash-flow variations due to fluctuations in quarterly lottery receipts and other economic uncertainties.

With no further questions, the committee recommended board approval of the 2011-2012 Lottery Revenue Budget (RFIN 11-10-12).
Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for an Auxiliary Project

George V. Ashkar, Assistant Vice Chancellor, Financial Services provided for approval to issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for an Auxiliary Project. He explained that this item requests the Board of Trustees to authorize the issuance of Systemwide Revenue Bonds and the issuance of Bond Anticipation Notes (BANS) to support interim financing under the commercial paper program of the California State University in an aggregate not-to-exceed amount of $29,285,000 to provide financing for Sacramento University Enterprises, Inc.—Folsom Hall Refinancing Project.

President Alexander Gonzalez commented that this long-term financing is for Folsom Hall, a rentable 188,100 square-foot, three-story office building located on 7.7 acres within close proximity to the southeastern portion of the Sacramento campus. The building will house the nursing/physical therapy/communications projects started a few years ago.

With no questions, the committee recommended board approval to issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for an Auxiliary Project (RFIN 11-10-13).

Proposed Title 5 Revision: Management of Claims for Damages Filed Against the Board of Trustees

Assistant Vice Chancellor, Charlene Minnick presented for information a proposed Title 5 revision for the management of claims for damages against the Board of Trustees. She explained how the CSU paid $11,000 last year to the Victims Compensation Government Claims Board (VCGCB) for their handling of claims, while the prior year the CSU paid the VCGCB approximately $58,000. The Office of the Chancellor recognizes an opportunity to eliminate the unnecessary expense and additional administrative steps by having claims filed directly with the CSU and thereby eliminating the process that claimants go through the VCGCB. A resolution proposing this amendment will be presented for action at the January 2011 meeting of the CSU Trustees.

Proposed Title 5 Revision: Lost, Unclaimed or Abandoned Property

Mr. Ashkar provided for information a proposed Title 5 revision for the disposition of lost, unclaimed or abandoned property in the possession of a CSU campus, as required by Assembly Bill 1890. The change in law allows the CSU to mirror existing law for other entities regarding the length of time property is required to be held (a period of at least three months). It further limits the storage, inventory and auction requirements to property valued at $300 or more. A resolution proposing this amendment will be presented for action at the January 2011 meeting of the CSU Trustees.
California State University Sacramento, University Enterprises Development Group – Auxiliary Organization Dissolution Approval

Dr. Quillian and CSU Sacramento President Alexander Gonzalez presented for the board’s review and approval the dissolution of California State University Sacramento, Auxiliary Organization—University Enterprises Development Group (UEDG). President Gonzalez explained that UEDG was originally incorporated as an auxiliary organization of California State University, Sacramento. It is estimated that the dissolution of UEDG will reduce expenses by over $100,000 annually.

With no questions, the committee recommended the board approve the California State University Sacramento, University Enterprises Development Group – Auxiliary Organization Dissolution (RFIN 11-10-14).

After acknowledging that there were four presidents who would be heard the following day at the plenary meeting regarding the tuition increase, Trustee Hauck adjourned the Committee on Finance.
COMMITTEE ON FINANCE

Report from the Auxiliary Review Committee

Presentation By

Richard P. West
Executive Vice Chancellor Emeritus

Background

Chancellor Reed commissioned a Review Committee to look at various issues related to the auxiliary organizations of the California State University (CSU). These matters involve both public policy as well as external and internal control issues. Specifically, the Committee was asked to:

- Determine if the number of auxiliaries in the CSU are appropriate for the operating environment of today;
- Determine if the CSU has proper controls regarding the purpose and operations of the auxiliaries, including a review of all operating agreements between the University and the respective auxiliaries, a review of all relevant policies, designation of authority, and audit activity that is in place for auxiliaries, and recommend any changes to such policies and procedures;
- Determine if the proper documentation is in place when University employees are doing specific work for the auxiliaries, such as when faculty conduct research for a sponsored contract or grant that has been awarded to an auxiliary;
- Evaluate the long-term debt that auxiliaries have incurred and make an assessment about the extended viability of auxiliary organizations to pay off such debt; and
- Identify any other issues that may need attention.

The Review Committee was comprised of the following representatives:

- Trustee Nicole Anderson
- Interim President Don Kassing, San José State University
- President Stephen Weber, San Diego State University
- President Mohammad Qayoumi, CSU East Bay
- President John Welty, CSU Fresno
- Vice President for Administration and Finance Robert Gardner, CSU San Bernardino
- Vice President for University Advancement Neal Hoss, CSU San Marcos
- Vice President for Administration and Finance Larry Kelley, CPSU San Luis Obispo
The Executive Vice Chancellors, the Vice Chancellors, the University Auditor and staff also met with the Review Committee. The Committee met September through December 2010.

The Committee identifies issues and makes recommendations related to operational transparency, fund management, internal controls, cost reimbursement and compliance with not-for-profit requirements.

The final report will be issued in early February 2011. An overview of the issues and recommendations will be provided to the Board at the meeting.
Report on the 2011-2012 Support Budget

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor
Administration and Finance

Robert Turnage
Assistant Vice Chancellor
Budget

Background

The 2011-12 governor’s January budget proposal identifies a $26.4 billion state budget shortfall (including the need to provide a $1 billion reserve). The governor proposes to resolve this 18-month shortfall with $12.5 billion of spending cuts, $12 billion of new revenues, and $1.9 billion derived from various other steps such as borrowing from special funds. The proposal reduces state support for the CSU by $500 million (18 percent), bringing state support for the CSU to $2.3 billion, a low level not seen since 1999.

The governor’s overall plan is predicated on holding a special election in June and persuading state voters to approve five-year extensions of temporary tax increases that are scheduled to expire on or before June 30, 2011. Approximately $9 billion of revenue that is assumed in the budget plan would depend on this special election. The governor has not specified the consequences of failure to secure these revenues. Clearly, however, the loss of these revenues raises the potential for significant additional cuts to the CSU.

At the January meeting, the board will be provided with a detailed assessment of the 2010-11 support budget.
COMMITTEE ON FINANCE

California State University Education Doctorate Tuition Fee for 2011-2012 Academic Year

Presentation By

Robert Turnage
Assistant Vice Chancellor
Budget

Background

The California State University (CSU) Board of Trustees has the authority to establish, adjust and abolish systemwide fees and tuition. Senate Bill 724 (Jack Scott), signed into law in 2005, authorized the CSU to award the Doctor of Education degree (EdD). Pursuant to that legislation, new EdD programs have been established at 11 campuses. The legislation directs that the CSU not charge its education doctorate students more than the tuition fee charged for state-supported doctoral degree programs at the University of California (UC).

During the 2010-11 academic year, the Education Doctorate Tuition Fee was $4,773 per semester ($3,182 per quarter), for an academic year total of $9,546. For the same period UC’s fee totaled $10,242 (excludes $60 surcharge). The UC Regents have set their education doctorate fee at $11,064 (excludes $60 surcharge) for the 2011-12 academic year.

Recommendation

Although state law permits the board to increase the CSU education doctorate tuition fee to the level adopted by the UC Regents for 2011-12—which would be a permissible increase of approximately 16 percent—an increase of 10 percent is recommended. This would increase the academic year total by $954 to a total of $10,500. This recommendation is consistent with the 10 percent tuition fee increase applicable to undergraduate, postbaccalaureate and graduate students approved by the board at its November 2010 meeting.

2011-12 Education Doctorate Tuition Fee

RESOLVED, by the Board of Trustees of the California State University, that the following academic year schedule of the Education Doctorate Tuition Fee is approved effective fall term 2011 and until further amended:
Per Semester: $5,250
Per Quarter: $3,500
Per Academic Year: $10,500

**RESOLVED**, the chancellor is delegated authority to further adopt, amend, or repeal the CSU Education Doctorate Tuition Fee rate if such action is required by the budget act approved for 2011-12, and that such changes made by the chancellor are communicated promptly to the trustees.
COMMITTEE ON FINANCE

Proposed Title 5 Revision: Claims for Damages Filed Against the Board of Trustees

Presentation By

Charlene Minnick
Assistant Vice Chancellor
Risk Management and Public Safety

Summary

Prior to the passing of SB 1046, existing law barred a suit for money or damages against a public entity on a cause of action for which a claim is required to be presented, until a written claim has been presented to the public entity and acted upon by the Victim Compensation and Government Claims Board (VCGCB), the governing body of a local public entity, or the Judicial Council, as applicable, or has been deemed to have been rejected, except as specified.

SB 1046 requires, instead, in the case of a claim against California State University (CSU) for money or damages based upon an express contract or for an injury for which the trustees of CSU is alleged to be liable, that the claim be presented to the trustees of the CSU. The bill requires the trustees to act on the claim in accordance with the procedure that the trustees provide. The bill specifies certain means of presentation and service of a claim against the CSU, and requires the VCGCB to immediately notify a claimant who mistakenly presents a claim against the CSU to the VCGCB, as specified. The bill authorizes the trustees, through their designee to adjust and pay any accepted claim arising out of the activities of the CSU, and would make other conforming changes.

The trustees can accomplish the SB 1046 requirement that the trustees provide by rule the authority to act on the claim in accordance with the following prescribed procedure.

Background

The Office of the Chancellor recognized an opportunity to eliminate the unnecessary expense and additional administrative steps of the VCGCB by having claims filed directly with the CSU.

The Government Claims Act establishes procedures for filing a claim against a public agency. Currently, CSU government claims are filed with the VCGCB, then transmitted to the CSU's Risk Management Department for investigation and determination of whether to settle the claim or allow the claim to go to litigation. If the CSU decides to settle a claim, this action must be approved by VCGCB, which collects an administrative surcharge from the CSU equal to 15% of
the amount of the claim. If a claim is denied, the VCGCB notifies the claimant that he or she has six months to initiate court action against the CSU; VCGCB is then no longer involved.

By eliminating the need to process claims through the VCGCB, the CSU has the opportunity to provide a more efficient and timely manner of claims handling than what was afforded by the VCGCB.

**Proposed Amendment**

RESOLVED, by the Board of Trustees of the California State University, acting under the authority prescribed pursuant to Section 89030 of the Education Code, Title 5 is amended to add Section 42398 as follows:

Title 5, California Code of Regulations
Division 5—Board of Trustees of the California State Universities
Chapter 1—California State University
Subchapter 5—Administration
Article 16—Claims Filing Process

(a) Claims for money damages against the California State University or a CSU employee shall be presented to the Office of the Chancellor, Risk Management & Public Safety at the following address in accord with the requirements of Government Code section 900 et seq:

The California State University
Office of the Chancellor, Risk Management & Public Safety
401 Golden Shore, 5th Floor
Long Beach, CA 90802-4210

(b) The Office of the Chancellor, Risk Management & Public Safety shall impose a $25 administrative fee for each claimant. The administrative fee may be waived if the claimant demonstrates a sufficient showing of financial hardship. This administrative fee shall be refunded, if the claim is allowed in whole or in part.

(c) The Office of the Chancellor, Risk Management & Public Safety shall maintain and make available on its website claim forms and applications for administrative fee waivers. Claimants are not required to use the CSU claim form so long as they provide the following information:

(1) The name and address of the claimant;
(2) The address to which the claimant desires notices to be sent;
(3) The date, place and other circumstances which gave rise to the claim asserted;
(4) A general description of the loss incurred;
(5) The name or names of the CSU employee or employees causing the loss, if known; and
(6) The amount claimed, including any estimated amount of prospective loss, together with
the basis of computation for those amounts. If the amount claimed and/or the prospective
loss is unknown the claimant shall state whether those amounts are believed to exceed
$25,000.

The claim shall be signed by the claimant or by some person on his/her behalf.

(d) The Office of the Chancellor, Risk Management & Public Safety shall be responsible for
acting on any claim presented to the CSU. Any action on a claim shall be consistent with the

(e) For purposes of determining whether a claim was commenced within the period provided
under the Government Code, the date the claim was presented to the CSU is:

(1) The date the claim is postmarked and the twenty-five dollar ($25) administrative fee is
paid, whichever occurred later.
(2) If a fee waiver is granted, the date the claim was presented with the application
requesting the fee waiver.
(3) If a fee waiver is denied, the date the claim was presented with the application
requesting the fee waiver, provided the filing fee is paid to the CSU within 10 calendar days
of the mailing of the notice of the denial of the fee waiver.

NOTE: Authority cited: Education Code Section 89030; reference Government Code Section
912.5
COMMITTEE ON FINANCE

Proposed Title 5 Revision: Lost Property

Presentation By

George Ashkar
Assistant Vice Chancellor
Financial Services

Summary

Assembly Bill 1890, filed with the Secretary of State on August 27, 2010, amended California Civil Code Section 2080.8 and repealed Section 2080.9 regarding the disposition of lost property. This change in law requires modifications to Title 5 to implement these revised provisions.

Background

When lost property was turned in to a California State University (CSU) campus, the campus was obligated to hold all such property for a period of six months, after which point the campus was allowed to sell unclaimed lost property at a public auction. Any revenues collected from selling unclaimed lost property were required to be placed in a scholarship fund.

Property that must be kept was not defined in law and could include items such as books, sunglasses, articles of clothing, in addition to more valuable, substantial items like bicycles, computers, etc. The University of California (Civil Code 2080.8), public agencies (Civil Code 2080.6), like the Department of General Services, the Department of Parks and Recreation, and any city, county, city and county and public safety (Civil Code 2080.3) are all required to keep property for only three months. Assembly Bill 1890 allows the CSU to mirror existing law for other entities regarding the length of time property is required to be held. It further establishes a $300 threshold so that unclaimed items valued below this amount would be available for donation to other public institutions or not-for-profit entities immediately. The CSU still would be required to hold, inventory, and publicly auction larger unclaimed items after the three month period.

Proposed Revision

The following resolution is presented for action:
RESOLVED by the Board of Trustees of the California State University that under Section 89030.1 of the Education Code, that Article 10, Section 42375 of Title 5 of the California Code of Regulations be amended as follows:

Title 5. Education
Division 5. Board of Trustees of the California State Universities
Chapter 1. California State University
Subchapter 5. Administration
Article 10. Disposition of Lost Property
§ 42375. Care, Restitution, Sale or Destruction of Lost Property

The Chancellor or his designee may provide for the care, restitution, sale or destruction of unclaimed, lost or abandoned property in the possession of any campus in accordance with California Civil Code Section 2080.9 2080.8. Unclaimed, lost, or abandoned property valued at or above three hundred dollars ($300) shall be held by the campus for a period of at least three months. After such time, and after a notice of such sale has been published once for a minimum of five days in a newspaper of general circulation in the county in which the property is held, the property shall be sold at public auction to the highest bidder. The campus may dispose of any of that property upon which no bid is made at any sale.
COMMITTEE ON FINANCE

Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for a Project

Presentation By

George V. Ashkar
Assistant Vice Chancellor
Financial Services

Summary

This item requests the Board of Trustees to authorize the issuance of Systemwide Revenue Bonds and the issuance of Bond Anticipation Notes (BANS) to support interim financing under the commercial paper program of the California State University (CSU) in an aggregate not-to-exceed amount of $4,075,000 to provide financing for a campus project. The board is asked to approve resolutions related to the financing of the project. The long-term bonds will be part of a future Systemwide Revenue Bond sale and are expected to bear the same ratings from Moody’s Investors Service and Standard and Poor’s Corporation as the existing Systemwide Revenue Bonds.

The project is as follows:

San Francisco Lot 20 Parking Structure Seismic Upgrade Project

In September 2010, the board approved the amendment of the non-state capital outlay program for the San Francisco Lot 20 parking structure seismic upgrade project. Schematic design approval of this renovation project occurred in June and July 2010 under delegated authority at the chancellor’s office. The project is required to meet current seismic code and, in late 2009, an initial structural engineering assessment identified facility deficiencies. This financing provides funds to address the seismic deficiencies. In addition, the project improves ADA compliance by adding an elevator and providing accessible pathways across the structure and at ground level between the structure and campus facilities located on North State Drive.

The not-to-exceed par value of the proposed bonds is $4,075,000 and is based on a total project cost of $4,018,000 and a parking reserve contribution of $330,600 to the project. Additional net financing costs (estimated at $387,600) are to be funded from the bond proceeds. The campus received good construction bids in December 2010, and anticipates a construction start in February 2011 with completion in November 2011.
The following table summarizes key information about this financing transaction.

<table>
<thead>
<tr>
<th>Not-to-exceed amount</th>
<th>$4,075,000</th>
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<tbody>
<tr>
<td>Amortization</td>
<td>Approximately level over 25 years</td>
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<tr>
<td>Projected maximum annual debt service</td>
<td>$307,768</td>
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<td>Projected debt service coverage including the new project:</td>
<td></td>
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<td>Net revenue – All San Francisco pledged revenue programs:¹</td>
<td>1.50</td>
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<tr>
<td>Net revenue –Projected for the campus parking program:</td>
<td>1.10</td>
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¹ Combines 2009-10 information for all campus pledged revenue programs and projected 2012-13 operations of the project with expected full debt service.

The not-to-exceed amount of $4,075,000 for the project, the maximum annual debt service, and the ratios above are based on an all-in interest cost of 5.97 percent, reflective of market conditions plus 100 basis points as a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan includes level amortization of debt service, which is the CSU program standard. The campus financial plan projects a program net revenue debt service coverage of 1.10 in the first full year of operations in 2012-13, which meets the CSU benchmark of 1.10. With the new project, the campus’ overall net revenue debt service coverage for the first full year of operations is projected to be 1.50, which exceeds the CSU benchmark of 1.35.

**Trustee Resolutions and Recommended Action**

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing a set of resolutions to be presented at this meeting for the project described in this agenda item that authorizes interim and permanent financing. The proposed resolutions will be distributed at the meeting and will achieve the following:

1. Authorize the sale and issuance of Systemwide Revenue Bond Anticipation Notes and the related sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds in a not-to-exceed amount of $4,075,000 and certain actions relating thereto.

2. Provide a delegation to the Chancellor; the Executive Vice Chancellor and Chief Financial Officer; the Assistant Vice Chancellor, Financial Services; and the Director, Financing and Treasury; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes and the revenue bonds.
Approval of the financing resolutions for the projects as described in this Agenda Item 6 of the Committee on Finance at the January 25-26, 2011 meeting of the CSU Board of Trustees is recommended for:

**San Francisco Lot 20 Parking Structure Seismic Upgrade Project**