AGENDA

JOINT MEETING OF THE COMMITTEES ON FINANCE AND
CAMPUS PLANNING, BUILDINGS AND GROUNDS

Meeting: 11:15 a.m., Tuesday, July 22, 2014
Glenn S. Dumke Auditorium

Committee on Finance
Roberta Achtenberg, Chair
Steven M. Glazer, Vice Chair
Talar Alexanian
Adam Day
Rebecca D. Eisen
Debra S. Farar
Margaret Fortune
Lupe C. Garcia

Committee on Capital Planning,
Buildings and Grounds
J. Lawrence Norton, Chair
Rebecca D. Eisen, Vice Chair
Talar Alexanian
Adam Day
Lillian Kimbell
Steven G. Stepanek

Consent Items
Approval of Minutes of Meeting of May 20, 2014

Discussion
Financing Authority, Information
Members Present

Finance Committee
Rebecca D. Eisen, Acting Chair
Adam Day
Lillian Kimbell
Bob Linscheid, Chair of the Board
J. Lawrence Norton
Timothy P. White, Chancellor

Campus Planning, Buildings and Grounds Committee
Rebecca D. Eisen, Acting Chair
J. Lawrence Norton
Adam Day
Lillian Kimbell
Bob Linscheid, Chair of the Board
Cipriano Vargas
Timothy P. White, Chancellor

Trustee Eisen called the meeting to order.

Approval of Minutes

The minutes of March 25, 2014 were approved by consent as submitted.

Capital Financing and the 2014-2015 Governor’s Budget Proposal, Information Item

Mr. Steve Relyea, Executive Vice Chancellor and Chief Financial Officer, summarized the March Board of Trustees meeting presentation made to this same joint committee on the capital financing changes proposed for the CSU in the 2014-2015 Governor’s Budget. In that presentation, staff outlined key elements of the Proposal including an initial funding level of $297 million. He reminded the board that from that discussion, staff was then asked to return to the May meeting to present additional information on the Proposal, with focus on two areas—one, additional analysis of the initial funding level of the Proposal by utilizing CSU partners in
the financial community, and two, providing an assessment of the Proposal’s risks to the CSU. Mr. Relyea then introduced Robert Eaton, Acting Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management to provide additional details.

Mr. Eaton stated that, under the Proposal, the budget burden for debt service on State General Obligation (GO) bonds and State Public Works Board (PWB) bonds that have been issued on behalf of the CSU would be shifted from the State to the CSU on a permanent basis. To accommodate this shift, the CSU general fund base budget would be increased permanently by approximately $297 million beginning in fiscal year 2014-2015. In years in which the debt service exceeds the $297 million level, the CSU would need to utilize other resources to meet the obligation. In years in which the debt service is less than the $297 million level, the CSU would have cash flow available to meet other needs, including capital needs.

Mr. Eaton reported that there have been recent CSU projects that have been approved by the legislature and funded with PWB bonds, but which are not yet reflected in the debt service schedules for PWB bonds. With these projects in mind, the Department of Finance (DOF) has provided the CSU with a signed letter agreeing to a series of increases to the CSU general fund base budget in the near future. This would result in a $20 million increase to the CSU base budget by 2017-2018, or an increase in the shift from $297 million to $317 million. However, he noted, this potential increase would not be in statute and would be subject to approval by the legislature in future budgets, therefore the focus of the discussion would be on the Proposal’s initial $297 million funding level. He added that this represents the debt service on today’s existing debt and does not include any new debt that might be issued by the CSU.

The Proposal would also allow the CSU to pledge its annual general fund support appropriation to secure CSU debt. The use of the annual general fund support appropriation to fund academic buildings and infrastructure projects, and to refund, restructure, or retire PWB bond debt would be limited to 12 percent of the annual general fund support appropriation. Similarly, the funding of pay-as-you-go projects would fall within the same 12 percent limitation. The Proposal would also allow the CSU to pledge any of its other revenues to secure debt; it would streamline the project submittal process to the DOF and the legislature, and it would add flexibility under the State University Revenue Bond Act of 1947 to allow the CSU to utilize the new authorities through its existing SRB program.

At the March meeting, staff presented an overview of the potential impact the Proposal might have in addressing the CSU’s growing $1.8 billion backlog in deferred maintenance, focusing on the different initial funding levels. Under a $397 million scenario, the CSU could make progress in addressing its deferred maintenance backlog. The backlog would not be eliminated, but based on staff assumptions and analysis, the additional $100 million in revenues would support enough additional debt issuance to fund approximately $1.6 billion of deferred maintenance need over the next 12 years, and by 2023, the backlog would be about $1.3 billion less than under the current Proposal’s $297 million initial funding level.
Mr. Eaton stated that staff enlisted the assistance of the CSU’s debt programs financial advisor, KNN Public Finance, as well as the investment banking teams at Barclays Capital and Bank of America Merrill Lynch, to analyze the Proposal under a number of interest rate, debt structuring, initial funding level, and debt policy assumptions to provide independent views on the ability of the CSU to address its capital needs under the Proposal. The results of these independent analyses were quite varied but support the basic conclusion presented at the March meeting that the $297 million does not provide the CSU with adequate resources to address its deferred maintenance backlog.

With respect to the CSU’s credit ratings, Mr. Eaton commented that the CSU would not expect any near term impact. The $297 million permanent increase to the CSU general fund base budget mitigates the shift of GO and PWB debt service to the CSU. Since the rating agencies already incorporate PWB debt and/or CSU financial operating data into their rating analyses on the CSU’s SRB program, this would not require a complete re-evaluation of the CSU. As an example, if the CSU were to be downgraded one level by each rating agency, the impact on the CSU’s cost of capital under current market conditions would be about 0.20% or twenty basis points. This translates into about $20,000 for every $10 million of debt issued.

Regarding the potential refinancing of PWB debt with CSU debt, Mr. Eaton informed the board that there are approximately $218 million, or 20%, of the total $1.1 billion in PWB bonds that have been issued on behalf of the CSU that presently could be refinanced for net present value savings of about $23 million, or 10.5% of the outstanding bonds. However, while the savings would be real and it certainly would make sense to refinance the bonds, relative to overall deferred maintenance backlog and capital needs, the savings are not significant and, as such, would not provide a meaningful impact on that problem.

As presented at the March meeting, the Proposal presents real challenges to the CSU. The adequacy of the $297 million funding level to meet new capital needs would be the primary challenge. In order to address the growing deferred maintenance backlog, the CSU will need to identify other resources and there also would be the ongoing risk that the GO and PWB debt service would continue to be the responsibility of the CSU even in the face of future budget cuts due to economic downturns, thereby putting greater pressure on funds available to meet operating needs.

Trustee Norton questioned the impact this would have on tuition. Chancellor White stated that any disinvestment from the state in the CSU could very well impact student tuition and academic programs. The CSU has pushed hard on the DOF to provide additional resources for deferred maintenance, however, it does not look like the CSU will be getting additional funds.

Trustee Garcia stated that the CSU would likely incur new debt in order to tackle deferred maintenance and inquired about strategies to deal with this issue. Chancellor White noted that the budget request approved by the trustees in November included $15 million for debt service. Although the proposed budget is far less than the CSU request, the CSU will still need to identify
funds to support debt financing. This coming November the CSU will once again include an amount for debt financing in its budget request.

Lt. Governor Newsom mentioned the new buildings that were just approved and the perceived propensity to invest in new structures versus older structures and that the state is not going to bail the CSU out of its deferred maintenance issue. Chancellor White stated that the resources for the new buildings are restricted resources and would not be available for the existing deferred maintenance on state buildings and noted that deferred maintenance for buildings with restricted resources or using auxiliary funds are maintained using those restricted funds.

There being no further questions, Trustee Eisen adjourned the Joint Committee on Finance and Capital Planning, Buildings and Grounds.
Summary

This item reports on:

1) 2014-2015 support budget debt service increase.
2) New statutory authority granted in the passage of the budget, including capital financing authority for academic and instructional support facility needs.
3) Proposed debt program structure and draft revisions to the CSU Policy for Financing Activities (RFIN 03-02-02) to implement the new financing authority.
5) 2014-2015 capital projects proposed for financing under the new authority.

2014-2015 Support Budget Debt Service Increase

The 2014-2015 Budget Act includes an increase to the CSU support budget by approximately $297 million to accommodate the debt service shift (comprised of $198 million for State General Obligation (GO) bond debt payments and $99 million for State Public Works Board (PWB) bond debt payments including principal and interest).

In order to accommodate recent projects that have been approved by the legislature and have been funded with PWB bonds, but which are not yet reflected in the debt service schedules, the Department of Finance (DOF) has agreed to a series of increases to the CSU general fund...
support budget in the near future. This would result in a $20 million increase to the CSU support budget by 2017-2018, or an increase in the debt service shift from $297 million to $317 million. However, this potential increase would not be in statute and would be subject to approval by the legislature in future budgets.

**New Statutory Authority**

1) Education Code Sections 89770-89774, 90083
   a. Authority for the CSU to pledge, in addition to any of its other revenues, its annual general fund support budget appropriation, less the amount of that appropriation required to meet GO and PWB debt service, to secure CSU debt issued pursuant to the State University Revenue Bond Act of 1947\(^1\) (’47 Bond Act). The new authority also provides that the state will not restrict or impair the CSU’s ability to pledge its annual general fund support budget appropriation, as long as any debt supported by the pledge remains outstanding.

   Under this provision, no more than 12 percent of the annual general fund support budget appropriation may be used to: (a) fund debt service for capital expenditures; and (b) fund projects on a pay-as-you-go basis (using available resources like one-time funds for deferred maintenance).

   b. Add flexibility under the ’47 Bond Act that allows the CSU to utilize the new authorities through its existing Systemwide Revenue Bond (SRB) program.

   c. Streamline of the project submittal process to the DOF and the legislature.

2) Health and Safety Code Section 13146 - Authority for State Fire Marshal to delegate enforcement of Building Standards related to fire and panic safety to the CSU. As a result of the new authority, a plan is being developed to increase campus and professional development training to secure State Fire Marshal recognition of a Designated Campus Fire Marshal.

3) Public Contract Code Section 10742 - Authority to publish public notices of Public Works Contracts on the CSU website (new), or to general circulation newspapers (existing) for projects greater than $15,000 to inform the public of CSU projects.

4) Public Contract Code 10726 - Authority to receive bids for multiple public works projects for CSU campuses as a single project. This will facilitate campuses working together to streamline the construction delivery process.

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\(^1\) The State University Revenue Bond Act of 1947 is the authority under which the CSU’s Systemwide Revenue Bond program has been created.
Provision Debt Program Structure and Draft Revisions to the CSU Policy for Financing Activities (RFIN 03-02-02)

At the May meeting, program structure, key financial considerations and risks of the new program were discussed, including the potential impact of the new debt program on the CSU credit rating, and the potential cash flow savings from restructuring existing PWB bond debt.

With the changes to the Education Code now final, the CSU must decide how best to incorporate and implement the new program. The CSU could utilize its new authority to structure a new capital financing program through the existing SRB program or create a new, stand-alone debt program. By working through the existing SRB program, legal documentation, the costs of developing the new program (including credit rating discussions and program administration) would be less compared to the creation of a new, stand-alone program.

While there are certain risks in working through the SRB program, such as the introduction of state general fund appropriation risk into the SRB program, or the potential risk of debt service coverage dilution, which could impact credit ratings over time and increase the cost of capital, these risks are manageable and the staff recommendation, at this point, is to work through the existing SRB program. Furthermore, staff recommends that, at a future meeting, the board take action to add revenues allowed under the new authorities to the pledge securing CSU debt under the SRB program.

Given that the new revenue sources available to support debt under the new authorities will be limited (i.e. that portion of operating funds allocated by the board to support the financing of deferred maintenance and critical infrastructure needs), staff recommends that the capital financing resource be centrally managed as a strategic resource with some flexibility to permit campuses to manage their own resources for individual projects in the future. With this approach in mind, the prioritization of campus projects eligible for financing under the new authorities would remain a function of the Office of the Chancellor to evaluate campus needs and provide recommendations to the board on project priorities.

Due to the varying nature (complexity, dollar amount, project type) of campus financed projects, it is also recommended that campuses be allowed to make use of pay-as-you-go funds and/or reserves to reduce the amount of debt issued and speed project implementation.

With respect to the possible refinancing of PWB debt into the SRB program, at this point, staff recommends that any refinancing be done in accordance with existing CSU policy—i.e. when the refinancing generates net present value savings.

Consistent with the existing CSU Policy for Financing Activities (RFIN 03-02-02), staff recommends that the chancellor, through delegated authority, develop and establish other debt
structure and policy changes (e.g. debt service coverage ratios) needed to utilize the new authorities and establish a new capital financing program.

Attachment A is a version of the existing CSU Policy for Financing Activities (RFIN 03-02-02), using *italics* for proposed new language and *strikethrough* for deletions in accordance with the preliminary recommendations outlined above. Utilizing input from the board, staff will continue evaluating the new authorities with the intent of returning to the board in September for action on program structure and policy.

**Final Report 2014-2015 State Funded Capital Outlay Program**

The CSU’s state funded 2014-2015 capital outlay program request was approved at the November 2013 Board of Trustees’ meeting. Due to the uncertainty of the potential funding source for the 2014-2015 state capital program, the board approved resolutions directing staff to negotiate with the administration and the legislature during the budget process to maximize funding opportunities for the campuses. The trustees approved the entire state funded priority list (32 projects) of $456 million for the 2014-2015 capital outlay program. The governor included capital funding of $5,766,000 in the January budget proposal to fund three equipment projects out of the 18 projects submitted to the Department of Finance. These projects were approved by the legislature and are appropriated in the 2014-2015 Budget Act. The projects are:

<table>
<thead>
<tr>
<th>Campus</th>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chico</td>
<td>Taylor II Replacement Building</td>
<td>$2,740,000</td>
</tr>
<tr>
<td>East Bay</td>
<td>Warren Hall Replacement Building</td>
<td>$1,061,000</td>
</tr>
<tr>
<td>Monterey Bay</td>
<td>Academic Building II</td>
<td>$1,965,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$5,766,000</strong></td>
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</tbody>
</table>

**2014-2015 Capital Projects to be Funded from the New Authority**

At a future board meeting, a handout will be provided listing the projects proposed to be funded or financed from the 2014-2015 support budget based on the 2014-2015 Capital Outlay Priority List previously approved by the board and will reflect if the trigger included in the 2014-2015 Budget Act results in an increase in one-time funds for CSU deferred maintenance. The highest priority project is the California State University, Fresno Utilities Infrastructure project which is currently being considered for funding through the equipment lease financing program in order to enable the campus to proceed to construction as quickly as possible in light of the repeated failures to the electrical distribution system. The second priority is the Statewide Infrastructure Improvements program which is designed to address building and infrastructure systems that have passed their useful life.

In light of the growing concern of utility failures, the system dedicated $5 million to update campus utility master plans with the specific intent to address the trustees’ concerns that
increased utility failures significantly impact our student learning environment and exposes the system to the risk of campuswide shutdowns and/or individual building shutdowns due to aged utilities.

The utility master plans are still in progress and a rank order list of critical projects is being compiled for funding from the new capital financing authority. The specific project(s) and proposed funding for each campus are being reviewed as a result of the critical infrastructure assessments. It is anticipated many campus projects will be structured in multiple phases as a key strategy to address limited support budget resources to fund debt service in fiscal years 2014-2015 through 2016-2017.
CSU Policy for Financing Activities
Board of Trustees' Resolution

WHEREAS, The Board of Trustees of The California State University ("the Board" or "the Trustees") finds it appropriate and necessary to use various debt financing programs afforded to it through the methods statutorily established by the legislature, and to use to its advantage those programs available to it through debt financing by recognized auxiliary organizations of the California State University; and

WHEREAS, The Board wishes to establish and maintain policies that provide a framework for the approval of financing transactions for the various programs that enable appropriate oversight and approval by the Trustees; and

WHEREAS, Within a policy framework, the Board desires to establish appropriate delegations that enable the efficient and timely execution of financing transactions for the CSU and its recognized auxiliary organizations in good standing; and

WHEREAS, The Board recognizes that there is a need from time to time to take advantage of rapidly changing market conditions by implementing refinancings that will lower the cost of debt financing for the CSU and its auxiliary organizations and that such refinancings could be better implemented by reducing the time required to authorize such refinancings; and

WHEREAS, The Board finds it appropriate to establish the lowest cost debt financing programs for the CSU, and to use the limited debt capacity of the CSU in the most prudent manner; and

WHEREAS, There are certain aspects of the tax law related to the reimbursement of up-front expenses from tax-exempt financing proceeds that would be more appropriately satisfied through a delegation to the Chancellor without affecting the Trustees' ultimate approval process for such financings; now, therefore be it

RESOLVED, by the Board of Trustees of The California State University as follows:
Section 1. General Financing Policies

1.1 The State University Revenue Bond Act of 1947 (Bond Act) provides the Board of Trustees with the ability to acquire, construct, or refinance projects funded with debt instruments repaid from various revenue sources.

1.2 The long-term debt programs of the Board of Trustees established pursuant to the Bond Act shall be managed by the Chancellor to credit rating standards in the "A" category, at minimum.

1.3 The intrinsic rating of any debt issued by the Trustees shall be at investment grade or better.

1.4 The Trustees debt programs should include the prudent use of variable rate debt and commercial paper to assist with lowering the overall cost of debt.

1.5 The Trustees programs shall be designed to improve efficiency of access to the capital markets by consolidating revenue bond programs where possible.

1.6 The Chancellor shall develop a program to control, set priorities, and plan the issuance of all long-term debt consistent with the state and non-state funded five-year capital outlay program.

1.7 The Chancellor shall annually report to the Trustees on the activity related to the issuance of long-term debt.

Section 2. Financing Program Structure of the CSU’s Debt Programs

2.1 To use the limited debt capacity of CSU in the most cost effective and prudent manner, all on-campus student, faculty, and staff rental housing, parking, student union, health center, and continuing education capital projects will be financed by the Trustees using a broad systemwide multi-source revenue pledge under the authority of the Bond Act in conjunction with the respective authority of the Trustees to collect and pledge revenues.

Other revenue-based on-campus and off-campus projects will also be financed through this program and structure under the authority of the Bond Act, unless...
there are compelling reasons why a project could not or should not be financed through this program structure (see Section 3 below).

2.2 The Chancellor shall establish minimum debt service coverage and other requirements for Bond Act financing transactions and/or for the related campus programs, which shall be used for implementation of the Trustees' debt programs. The Chancellor shall also define and describe the respective campus program categories.

2.3 The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized and directed, for and in the name and on behalf of the Trustees, to take any and all actions necessary to issue bonds pursuant to the Bond Act to acquire or construct projects. Authorized Representatives of the Trustees, with the advice of the General Counsel, are authorized to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, all bond resolutions, bond indentures, official statements and all other documents, certificates, agreements and information necessary to accomplish such financing transactions.

2.34 The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Senior Director of Financing and Treasury, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized and directed, for and in the name and on behalf of the trustees, to take any and all actions necessary to refinance any existing bonds issued pursuant to the Bond Act of 1947 if the refinancing transaction will result in net present value savings, as determined by an Authorized Representative of the Trustees and which determination shall be final and conclusive. Authorized Representatives of the Trustees, with the advice of the General Counsel, are authorized to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, all bond resolutions,
bond indentures, official statements and all other documents, certificates, agreements and information necessary to accomplish such refinancing transactions.

**Section 3. Other Financing Programs**

3.1 The Board recognizes that there may be projects, or components of projects, that a campus wishes to construct that are not advantaged by, or financing is not possible, or is inappropriate for the a Bond Act financing program. A campus president may propose that such a project be financed as an auxiliary organization or third party entity financing, if there is reason to believe that it is more advantageous for the transaction to be financed in this manner than through the a Bond Act financing program.

3.1.1 Such financings and projects must be presented to the Chancellor for approval early in the project's conceptual stage in order to proceed. The approval shall be obtained prior to any commitments to other entities.

3.1.2 These projects must have an intrinsic investment grade credit rating, and shall be presented to the Trustees to obtain approval before the financing transaction is undertaken by the auxiliary organization or other third party entity.

3.1.3 If a project is approved by the Trustees, the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Senior Director of Financing and Treasury, Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for and in the name and on behalf of the Trustees, to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, any and all documents and agreements with such insertions and changes therein as such Authorized Representatives of the Trustees, with the
advice of the General Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, in order to assist with the planning, design, acquisition, construction, improvement, financing, and refinancing of the projects.

3.2 The Chancellor may require campus presidents to establish campus procedures applicable to campus auxiliary organizations for the issuance of debt instruments to finance or to refinance personal property with lease purchase, line-of-credit, or other tax-exempt financing methods. The procedures issued by the Chancellor need not contain a requirement for approval of the Trustees or the Chancellor but may include authority for campus presidents to take all actions to assist the auxiliary organization on behalf of the Trustees to complete and qualify such financing transactions as tax-exempt.

Section 4. State Public Works Board Lease Revenue Financing Program

4.1 The authorizations set forth in this section shall be in full force and effect with respect to any State Public Works Board project which has been duly authorized by the Legislature in a budget act or other legislation and duly signed by the Governor and which is then in full force and effect.

4.2 The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Senior Director of Financing and Treasury, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and Assistant Vice Chancellor for Capital Planning, Design and Construction each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for and in the name and on behalf of the Trustees, to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, any and all construction agreements, equipment agreements, equipment leases, site leases, facility leases and other documents and agreements with such insertions and changes therein as such Authorized Representatives of the Trustees, with the advice of the General Counsel, may require or approve, such approval to be
conclusively evidenced by the execution and delivery thereof, in order to provide for the planning, design, acquisition, construction, improvement, financing, and refinancing of the projects.

**Section 5. Credit of the State of California**

5.1. The delegations conferred by this resolution are limited and do not authorize the Chancellor or other Authorized Representatives of the Trustees to establish any indebtedness of the State of California, the Board of Trustees, any CSU campus, or any officers or employees of any of them. Lending, pledging or otherwise using the credit established by a stream of payments to be paid from funds appropriated from the State of California for the purpose of facilitating a financing transaction associated with a capital project is permitted only if specifically authorized by a bond act or otherwise authorized by the legislature.

**Section 6. Tax Law Requirement for Reimbursement of Project Costs**

6.1 For those projects which may be financed under the authority of the Trustees, the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Senior Director of Financing and Treasury, Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized to make declarations on behalf of the Trustees solely for the purposes of establishing compliance with the requirements of Section 1.150-2 of the U.S. Treasury Regulations; provided, however that any such declaration:

6.1.1 Will not bind the Trustees to make any expenditure, incur any indebtedness, or proceed with the project or financing; and

6.1.2 Will establish the intent of the Trustees at the time of the declaration to use proceeds of future indebtedness, if subsequently authorized by the
Trustees, to reimburse the Trustees for expenditures as permitted by the U.S. Treasury Regulations.

**Section 7. Effective Date and Implementation**

7.1 Within the scope of this financing policy, the Chancellor is authorized to further define, clarify and otherwise make and issue additional interpretations and directives as needed to implement the provisions of this policy.

7.2 This resolution supersedes RFIN 11-98-18 03-02-02 and shall take effect immediately. However, the Chancellor shall have the authority to authorize on an individual basis, auxiliary organization projects that are in the planning stage as of the adoption of this policy to proceed under the previous policy in order to prevent situations that would result in additional project costs or additional time-to-completion.