

## AGENDA

### COMMITTEE ON FINANCE

**Meeting:**     **3:30 p.m., Tuesday, March 14, 2000**  
                  **San Jose State University**  
                  **Student Union Ballroom**

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

#### **Consent Items**

Approval of Minutes of Meeting of January 25, 2000

#### **Discussion Items**

1. Status Report on the 2000/2001 Budget, *Information*
2. Student Fee Policy, *Action*
3. Authorize the Issuance and Sale of the California State Polytechnic University, Pomona Student Union Revenue Bonds, Series C, and Related Matters, *Action*

**MINUTES OF MEETING OF  
COMMITTEE ON FINANCE**

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

**January 25, 2000**

**Members Present**

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

**Members Absent**

Bob Foster

**Other Trustees Present**

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

**Chancellor's Office Staff**

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

Trustee Laurence K. Gould, vice chair, called the meeting to order at 1:48 p.m.

**Approval of Minutes**

The minutes of November 16, 1999, were approved.

### **Status Report on the 2000/2001 Budget**

Vice Chair Gould introduced Mr. Richard P. West, executive vice chancellor and chief financial officer, and asked him to present the report.

Mr. West highlighted the key points of the status report noting the following:

With respect to the compact (or partnership, as the governor refers to it), CSU will receive the requested 4 percent of General Fund revenue for enrollment. The governor also has accepted the funding strategies outlined in the trustees' budget with one or two specific exceptions. The governor chose to fund compensation as a 5 percent pool, rather than the requested 4 percent for all employees. In addition to the approved compact revenue, \$380,000 will be provided for operational support at the off-campus center at Coachella Valley.

Mr. West noted that the governor and the Department of Finance have requested that one percent of the revenue increase be allocated specifically for long-term budget needs that are primarily structural in nature (i.e., deferred maintenance, technology, library materials, and equipment replacement). Other items that were provided, but not part of the trustees' request, included substantial funds for teacher recruitment in the form of public service announcements and \$3.5 million for the initial year of the Governor's Teachers Fellowship. The fellowship will provide scholarships for students in their fifth year of teacher credential training and is designed to help students complete their degrees and receive their credential prior to entering the classroom as a teacher.

Mr. West said this was an extremely good budget for the CSU and that it meets most of our requests. It is anticipated that there could be a state budget surplus of between \$4 and \$8 billion. With respect to the May Revision (which is when the governor adjusts his budget to reflect current revenue estimates), CSU will continue to pursue those items not funded in the initial trustees' budget.

Chancellor Reed agreed this was a good and generous budget, and noted the possibility of significant additional funding for assisting public school teachers. He announced the CSU will be taking the lead in working with the UC and the private sector to aid public school teachers with classroom technology issues. In conjunction, there could be an additional \$10 to \$12 million for CSU faculty who are involved in summer workshops in the areas of reading, algebra and English language use.

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

Trustee Gould asked Mr. Brad Wells, assistant vice chancellor, financial services, to present the item.

Mr. Wells explained that there were several private participation projects being presented to the committee for conceptual review and approval by the board. This first item concerns a public/private partnership to construct and manage on-campus housing at CSU San Marcos. The proposed project would provide approximately 400 student spaces and would be the first complement of on-campus housing constructed at the San Marcos campus. The campus has utilized a competitive bid

process to solicit interested partners and has issued a request for proposals to identify qualified participants. Selection and appointment of a developer is targeted for May 2000.

The proposed resolution requests board approval of the concept of the plan and authorization for the chancellor and staff to proceed with the understanding that additional information will be brought back to the board at key points during the process.

Dr. Alexander Gonzalez, president, California State University, San Marcos, noted that the campus is essentially a commuter campus. The proposed housing units would serve to initiate transformation of the campus from a commuter campus to one that will eventually offer a full-fledged residential-life program for students. The proposed plan is an initial attempt to meet the increasing demands of the campus for student housing.

Trustee Razi praised the intent of the project and inquired about affordability of the rental units for student occupation. Mr. Wells assured Trustee Razi that a primary consideration of the project is for rents to be competitive and that in all likelihood they will be below-market. Trustee Razi asked if tax-exempt bonds can be used for the project. Mr. Wells replied that they can, depending on the structure of the actual arrangement.

Trustee Pesqueira asked if the project would alter adherence to the campus master plan and if the housing will be constructed as “smart housing.” President Gonzalez said the campus master plan would require some changes, and that the project would be constructed with appropriate wiring for accessibility to the campus through modems and other means.

Trustee Otomo-Corgel inquired if 400 beds will be sufficient to accommodate the immediate needs. President Gonzalez responded that the campus had looked at the possibility of pursuing a larger project, but erred on the conservative side due to the newness of the campus and the lack of financial stability that an older campus would have.

Trustee Pierce expressed his support of the project and said he expects to see more of these proposals systemwide in the future.

The committee recommended approval of the proposed resolution (RFIN 01-01-00).

### **Private Sector Participation in the Development of Student Housing at California State University, San Bernardino**

Mr. Wells presented the item, which proposes a housing project for approximately 600 bed spaces at the San Bernardino campus. Through a competitive bid process, the campus received six qualified respondents who have been asked to develop more comprehensive proposals. Once the development program has been completed, it will be reviewed by the housing review committee who will in turn make recommendations to the campus president and the chancellor. The campus will also conduct a cost benefit analysis to determine if the developer-based approach is the best format to pursue. Tax-exempt debt issued by the university will also be considered in the event the developer project does not come to fruition.

Dr. Albert Karnig, president, California State University, San Bernardino, presented a brief synopsis of events leading to the project request. He said the campus needs additional housing at this juncture, not only to absorb demand, but also to help undergird the student life and intellectual activities on campus.

Trustee Wang expressed a general concern regarding protection of the student with regard to private sector participation projects. He cautioned that private industry's primary concern is making a profit, and asked if there was any determination of what kind of profit they will be allowed to make. President Karnig responded that to his knowledge, a 4 percent profit margin was the determination.

Mr. Wells further acknowledged Trustee Wang's concern by explaining that the CSU has already begun to deal with this issue through using owners representatives on these types of projects. He said we have used this method before and the result has been a positive experience for keeping costs and negotiated fees in line.

The committee recommended approval of the proposed resolution (RFIN 01-02-00).

### **Public Private Development of Technology Park by an Auxiliary Organization and California State University, Long Beach**

Mr. Wells presented the item which is part of a successful re-use proposal negotiated by the CSU Long Beach Foundation. He explained that the project does not involve any state resources and was being presented to the board for their information only.

The CSU Long Beach Foundation has obtained a 30-acre parcel of former naval housing. The foundation has secured all the required entitlements, environmental reviews, general plan amendments, and master site approval. The campus anticipates entering into a long-term ground lease with the developer. The developer will oversee a three-phase plan to ensure that the development of the site is in keeping with market conditions at the time. The project is financed entirely by the foundation through the public/private development concept and no state resources have, or will be, used for the project.

Trustee Vitti announced that he had requested a detailed synopsis of the transaction. He said the resulting report was excellent, and announced that copies were available to anyone who wished to review it. He also expressed his concern that property management fees for the project seemed high. Mr. Mo Tidemanus, director of property development for the CSULB Foundation, addressed Trustee Vitti's concerns citing various studies and comparisons performed by the foundation. Trustee Vitti said he was simply concerned that we don't price ourselves out of the market due to overhead factors and that he was satisfied with Mr. Tidemanus' response.

Trustee Pierce noted this was an extremely sophisticated joint venture arrangement and commended the campus team on a job well done.

### **Public Sector Participation in Parking Activities at San Diego State University**

Mr. Wells explained the information item, which proposes construction of a 2,000-space parking structure on the campus.

Dr. Stephen L. Weber, president, San Diego State University, explained that the campus will suffer a significant loss of parking space due to the construction of a light rail system that will run through the campus. As a result, replacement parking was deemed the most effective mitigation for the construction impact.

The campus auxiliary organization, Aztec Shops, will be used to facilitate a loan from the Metropolitan Transit Authority to allow construction of the parking facility to proceed. Approval of the resolution will allow the campus to move forward in approving the necessary documents, with the understanding that future activities related to this project will be brought back to the board for approval.

The committee recommended approval of the proposed resolution (RFIN 01-03-00).

### **CSU Annual Investment Report**

Mr. Wells presented the report on funds held outside the state treasury as required by board policy. He explained that in addition to the portion of our funds held in the state treasury, the CSU has the authority to invest outside the state treasury in certain cases. These funds are held in local trust accounts and per board policy are invested in a central investment pool. There are currently two accounts, a short-term and a total return account, which are managed by the firm of Metropolitan West.

This is the third year of operation, and as of 11/30/99, \$113 million was invested in the short-term account, and \$136 million in the total return account. Mr. Wells said that the process is working well and that some of the reporting characteristics have now been improved with Metropolitan West's assistance.

Chairman Hauck asked if there was a more aggressive investment strategy we could pursue and still be prudent and within the law. Mr. Russ Gould of Metropolitan West acknowledged that there is a slightly more aggressive posture which could be taken and this has been discussed with the investment committee. This would involve establishment of a long-term fund, which would allow us to extend the purchase of securities out longer on the yield curve. Mr. Gould said this action would create some additional risk tied to investment rate volatility, but at the same time could increase the yield potential based on moving outside the yield curve.

Mr. Wells explained that we are proceeding to set up that account and, based on a campus survey, have identified a potential \$40 million that the campuses would be willing to invest in this type of account. He assured the committee that this process is consistent with board policy and that it will not involve any equity investments.

Trustee Pierce inquired if this would be an appropriate time to explore going in to a longer term strategy in order to have some of the assets put in to longer term investments. Mr. Gould said he thought that given the current potential yield, the risk would be worth pursuing. However, he cautioned that there is always risk involved in these situations and that there are never any guarantees.

**Adjournment**

The meeting adjourned at 2:34 p.m.

**BRIEF**

**Information Item**

Agenda Item 1  
March 14-15, 2000

**COMMITTEE ON FINANCE**

**Status Report on the 2000/2001 Support Budget**

**Presentation by**

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

**Summary**

A report on the 2000/2001 Support Budget, including a summary of a report by the Legislative Analyst's Office, will be presented.

ITEM

2  
Agenda Item 1  
March 14-15, 2000

COMMITTEE ON FINANCE

Status Report on the 2000/2001 Support Budget

This agenda item is presented to the Board of Trustees as an information item. The Board of Trustees presented a budget request to the governor that called for a \$244.4 million increase in total expenditures for the 2000/01 fiscal year. Of this amount, \$226.1 million was requested in state General Fund support and \$18.3 million would be realized from the fee revenue increase related to the 4.5 percent enrollment growth. As reported earlier, the Governor’s Budget provided support for almost the same total increase proposed by the trustees. The table below represents CSU’s Support Budget based on the Governor’s Budget.

**2000/01 Budget Plan - Based on Governor's Budget**

**Sources of Funds**

<b>CSU Operations &amp; Enrollment Growth</b>		
<b>Higher Education Partnership Agreement</b>		\$212,999,000
5% General Operating Increase	104,063,000	
1% Long-Term Budget Core Needs	20,813,000	
General Fund Fee Increase Buyout	15,013,000	
<b>Enrollment Growth</b>		
CSU Projected Enrollment Growth (4.5%) - GF	73,110,000	
Enrollment Growth Net Available Revenue		<u>18,327,000</u>
<b>Subtotal, CSU Operation and Enrollment Growth Revenue</b>		\$231,326,000
<b>Revenue Above Partnership Agreement</b>		
Coachella Valley	380,000	
Teacher Fellowships	3,500,000	
CALTEACH Recruitment	9,000,000	
Marginal Cost for Summer YRO		
<b>Subtotal, Revenue Above Partnership Agreement</b>		\$12,880,000
<b>Total, Sources of Funds</b>		<u><u>\$244,206,000</u></u>

**Uses of Funds**

<b>Mandatory Costs</b>		\$27,592,000
Employee Benefits	9,022,800	
New Space	5,669,200	
1999/2000 General Employee Compensation Increase	3,600,000	
1999/2000 Faculty Collective Bargaining Agreement	6,800,000	
1999/2000 Full-Year Service-based Comp. Increases	<b>2,500,000</b>	
<b>Enrollment - 4.5% Increase; 12,577 FTE</b>		86,291,000
Marginal Cost for Instruction	<b>81,901,000</b>	
State University Grant Increase	<b>4,390,000</b>	
<b>Compensation</b>		<b>94,340,000</b>
<b>Monterey Bay</b>		<b>2,290,000</b>
<b>Long-Term Budget Need</b>		<b>20,813,000</b>
Technology	15,000,000	
Libraries	<b>3,000,000</b>	
Deferred Plant Maintenance	<b>2,813,000</b>	
<b>Subtotal, CSU Operations and Enrollment Growth</b>		<b>\$231,326,000</b>
<b>Governor's Budget State Investments</b>		
<b>CALTEACH Recruitment</b>	<b>9,000,000</b>	
<b>Governor's Teacher Fellowships</b>	<b>3,500,000</b>	
<b>Off-Campus Center Support - Coachella Valley</b>	380,000	
<b>Subtotal, Governor's Budget State Investments</b>		12,880,000
 <b>Total, CSU 2000/01 Proposed Expenditure Increase</b>		 <b><u><u>\$244,206,000</u></u></b>

A summary of the Legislative Analyst's Office crosscutting and intersegmental issues involving CSU, as well as CSU specific issues are provided in the following table.

**Analysis of the 2000/2001 Budget**  
*Office of the Legislative Analyst*

**Crosscutting and Intersegmental Issues**

<b>Issue</b>	<b>Analyst's Recommendation</b>
Higher Education Partnership Agreement	Shift \$65.8 million for General Fund support (of the total \$124.8M to support 5 percent general operating increase and 1 percent long-term budget core needs) from CSU to K-12 and community colleges to equalize base increases at 2.84 percent.
	Do not endorse the proposed partnership agreement.

### **Crosscutting and Intersegmental Issues**

<b>Issue</b>	<b>Analyst's Recommendation</b>
Enrollment Growth Rate Projection	Reduce General Fund support by \$30.7 million to reflect demographically based enrollment growth of 2.9 percent rather than the 4.5 percent included in the budget (the current marginal cost of instruction calculation methodology used in calculation of \$30.7 million).
Marginal Cost of Instruction	Reduce General Fund support for marginal cost funding by \$2.8 million to reflect greater fee related resources received from additional students. (Changes current marginal cost of instruction methodology developed in agreement with the Department of Finance University of California and Legislative Analyst's Office.)
Year Round Instruction, Funding	Provide full marginal cost funding for all enrollment growth at the CSU regardless of season in which it occurs. Appropriate \$12 million from the General Fund to reduce student fees in summer to the same level as for fall, winter, and spring terms.
K-12 Technology Staff Development	Shift \$25 million in General Fund support from CSU (which would receive grant funds from the Office of Secretary of Education) to K-12 schools to give them greater flexibility in meeting local needs.

### **CSU Specific Issues**

<b>Issue</b>	<b>Analyst's Recommendation</b>
Prior Year Compensation Agreements	Delete \$10.4 million to fund compensation agreements made in 1998-99 and 1999-2000 because the CSU should bear the costs of compensation agreements that exceed budget act authorization.
CSU Monterey Bay Funding	Delete \$2.3 million to cover fixed costs at CSU Monterey Bay due to lack of budget plan.
Coachella Valley	Delete \$380,000 requested to shift operations at CSU's existing off-campus center in Palm Desert to a new permanent facility in Coachella Valley because the shift is premature and too costly.

**CSU Specific Issues**

**Issue**

Teacher Fellowships

**Analyst's Recommendation**

Transfer implementation of the program from the Chancellor's Office to the Student Aid Commission (SAC), thereby saving the \$1 million the budget provides to the CSU.

## **BRIEF**

**Action Item**

Agenda Item 2  
March 14-15, 2000

### **COMMITTEE ON FINANCE**

#### **Student Fee Policy**

#### **Presentation By**

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

#### **Summary**

This agenda item is presented to the Board of Trustees for approval of revised student fee policy. In May 1996, the Board of Trustees passed the current fee policy applicable to all fees charged to students. Experience with the fee policy over the past several years has resulted in a need for some modifications to the policy.

The changes to the fee policy make some changes to fee categories and definitions, require each campus to develop a fee referenda process, and eliminate the one-third financial aid requirement associated with future campus fee increases while retaining the one-third financial aid requirement for the State University Fee.

#### **Recommended Action**

Adoption of the proposed resolution.

## ITEM

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Agenda Item 2  
March 14-15, 2000

### COMMITTEE ON FINANCE

#### **Student Fee Policy**

The California State University, in January 1995, initiated a review of policies and practices regarding student fees. This review was designed to support the development of a comprehensive fee policy framework for all student fees. The review, which included extensive consultation, led to an action item presented to the Board of Trustees, which was approved in May 1996.

The California State University Student Fee Policy adopted by the board (RFIN 05-96-02) identified standard definitions for categories of fees, made explicit the authorities for establishing and adjusting fees, and assigned responsibilities to the campus president for ensuring that appropriate consultation occur prior to adjusting any fee or requesting the chancellor to establish a new fee. The fee policy also established an upper limit on the amount of total mandatory fees and required an annual report by each campus to the chancellor, and the chancellor to the board, that included an inventory of all fees charged to students.

As a result of implementation of the fee policy over the past four years, and through consultation with the California State Student Association and the campus presidents, we have identified several adjustments to the fee policy that would help to ensure that the underlying principles are maintained while alleviating some procedural difficulties encountered at the campus level. The proposed changes are summarized below and are identified by strikeover and underscore on Attachment 1.

The original fee policy identified four categories of fees: mandatory, tuition, user, and penalty. These names have resulted in some confusion as certain fees that are not required of all students (e.g., the campus ID card fee and miscellaneous course fees) are nevertheless categorized as mandatory fees. The proposed changes rename the original four categories to category I, category II, category III, and category IV and make modifications to the fee definitions so that they are not misinterpreted.

The fee policy requires an advisory student referendum before adjusting a campus category I fee or requesting the chancellor to establish a new campus category I fee. The original fee policy also required that the chancellor develop systemwide guidelines related to the conduct of the referendum. Attempts to develop a single, comprehensive set of referendum guidelines applicable to all twenty-three campuses at a level of detail sufficient to satisfy the requirement in the fee policy has proven to be difficult. In recognition of campus organizational cultures and models, we are proposing that each campus develop a student fee referendum process rather than the CSU develop a systemwide process. Some general guidelines for the fee referendum process remain in the fee policy and in Title 5 of the California Code of Regulations with which any campus procedures must comply.

Finally, the original fee policy established a one-third financial aid requirement associated with future increases in campus mandatory/category I fees. This requirement, which was designed to mirror the board policy passed in 1993 regarding the State University Fee, has hindered, in some cases, the development of student-based programs funded from student body association fees and

student body center fees. As a result, the financial aid requirement of the original fee policy has been eliminated. However, the one-third financial aid requirement associated with increases in the State University Fee has been retained. The proposed changes to the fee policy do not require any changes to existing commitments made to financial aid nor do they preclude the consideration of financial aid consequences associated with future student fee adjustments.

The following resolution is recommended for approval:

**RESOLVED**, By the Board of Trustees of The California State University, that Attachment 1 to Agenda Item 2 of the March 14-15, 2000, meeting of the trustees' Committee on Finance, titled "The California State University Student Fee Policy," is approved and shall take effect immediately; and, be it further

**RESOLVED**, That the chancellor is directed to take all necessary action to implement the student fee policy in a manner consistent with existing statutes and provisions of bond indentures.

## The California State University Student Fee Policy

### I. Definitions

- A. ~~Mandatory Category I fees~~ - Fees that must be paid to apply to, enroll in, or attend the university, or graduate from the university or to take a course offered through the state-funded instructional program.
- B. ~~Tuition Category II fees~~ - Fees to pay the full cost of instruction required of some students by statute.
- C. ~~User Category III fees~~ - Fees, other than Category I fees, paid to receive ~~non-instructional~~ materials, services, or for the use of facilities provided by the university, or to enroll in a course offered through a self-support instructional program.
- D. ~~Penalty Category IV fees~~ - Fees or deposits to reimburse the university for additional costs resulting from dishonored payments, late submissions, or misuse of property or as a security or guaranty.

### II. Authority

- A. The Board of Trustees provides policy guidance for all matters pertaining to student fees.
- B. The board retains authority to establish, increase, decrease, or abolish systemwide mandatory fees.
- C. The chancellor is delegated authority to establish new campus ~~mandatory, user, and penalty~~ fees. The chancellor is not delegated authority to establish new systemwide mandatory fees.
- D. The president is delegated authority to increase, decrease, or abolish campus ~~mandatory, user, and penalty~~ fees. The president is not delegated authority to ~~increase, decrease, or abolish~~ adjust systemwide mandatory fees.

### III. Responsibility

- A. The president is responsible for assuring that appropriate consultation occurs prior to adjusting any fee and before requesting the chancellor to establish a new fee. This authority is subject to the accountability requirements described below in Section IV.
  - 1. The president shall establish a fee advisory committee comprised of student, faculty, staff, and administrative representatives to provide advice to the campus president.
  - 2. The president shall consult with the committee before adjusting any fee and before requesting the chancellor to establish a new fee including a consolidation of existing fees.

3. A statement of revenues and expenditures including a minimum of one year of actual costs and two years of projected revenue and expenditures for the fee revenue supported activity shall be developed by the campus chief financial officer and considered by the campus fee advisory committee prior to the campus president adjusting fees or requesting the chancellor to establish a new fee.
  4. Membership of the advisory committee shall be established in consultation with the campus student body association ~~associated students organization~~ and the campus ~~academic~~faculty senate and shall include the president of the campus student body association ~~associated students organization~~ and the chair of the campus ~~academic~~faculty senate or their designees.
  5. Students appointed by the campus student body association ~~associated students organization~~ shall constitute a majority of the voting members of the committee.
  6. The campus president shall appoint members to the committee excluding the student representatives who shall be appointed by the campus student body association ~~associated students organization~~. Faculty members shall be appointed consistent with normal campus processes for selecting faculty members to serve on similar committees.
  7. The president shall appoint the chair of the committee.
- B. Appropriate consultation with campus constituencies regarding charging fees and allocating fee revenue is critical to assure that the delegated authority is exercised in a manner that is consistent with policies adopted by the board.
1. Appropriate and meaningful consultation includes consultation with bodies such as the campus ~~academic~~faculty senate, the campus student body association ~~associated students organization~~ and, to adjust or establish mandatory category I fees, an advisory student referendum.
  2. The policy presumes that a student referendum will be conducted before adjusting or establishing mandatory category I fees. However, the president may waive the referendum requirement if the president determines that a referendum is not the best mechanism to achieve appropriate and meaningful consultation. If a referendum is not conducted prior to adjusting mandatory category I fees or requesting the chancellor to establish a new mandatory category I fee, the president must demonstrate to the chancellor why alternative consultation methods selected were more effective in complying with this policy.
- C. An advisory student referendum is required prior to adjusting a campus mandatory category I fee or requesting the chancellor to establish a new campus mandatory category I fee and subject to the exception described in B-2 above. The referendum may be conducted by

the campus or the student body association~~associated students organization~~. For referenda conducted by the campus, the following shall apply:

1. The campus shall fund costs associated with the referendum.
  2. The results of the referendum shall be advisory to the committee and the president.
  3. The ~~chancellor~~ president in consultation with the ~~California State~~ campus student body association and the ~~Academic~~ faculty senate shall develop guidelines applicable to the student fee referendum process designed to assure that the referendum is open, fair, and objective. ~~The guidelines shall include a code of ethics regarding student, faculty, and staff participation in elections. The guidelines shall be included in Title 5 of the California Code of Regulations.~~
  4. The results of a student fee referendum shall be considered favorable when a majority of students voting approve the fee action.
  5. The committee shall issue a voter pamphlet providing objective analysis of the proposed fee action and statements solicited by the committee for and against the proposed fee action.
  6. The committee shall determine the specific statements that shall be included in the pamphlet.
  7. Copies of the voter pamphlet and ballot and information regarding the dates, times, and polling locations shall be available to students and published in the campus newspaper at least thirty days prior to the referendum.
- D. ~~Campuses shall use local financial aid grant, work study, and waiver programs to offer financial aid adequate to meet additional student need resulting from increases in campus mandatory fees or the establishment of new campus mandatory fees.~~
1. ~~The base budget for local campus financial aid grant, work study, and waiver programs shall be supplemented permanently in the year the fees are adjusted or established from any appropriate funding source by an amount of not less than one-third of additional revenue resulting from an increase in campus mandatory fee levels.~~
  2. ~~The federal financial aid eligibility methodology shall be used to determine student financial need.~~
  3. ~~Consistent with current policy and practice, all mandatory fees will be included in student financial aid budgets used to determine financial need according to the federal financial aid eligibility methodology.~~

**IV. Accountability**

- A. Total annual ~~mandatory~~category I fees may not exceed one-third of the systemwide cost of education. The systemwide cost of education is defined as total support expenditures (State University Fee revenue and General Fund support appropriations) divided by the number of full-time equivalent students.
  
- B. Each campus shall report to the chancellor for the most recently completed fiscal year a complete inventory of all fees charged to students, and the total revenue collected for each fee, ~~and the amount of increased funding provided to local financial aid programs to meet additional student need resulting from adjustments to mandatory fee levels.~~ The fee report will be presented to the board by the chancellor to allow the board to consider the level and range of fees charged to students.

**BRIEF**

**Action Item**

Agenda Item 3  
March 14-15, 2000

**COMMITTEE ON FINANCE**

**Authorize the Issuance and Sale of the California State Polytechnic University, Pomona Student Union Revenue Bonds, Series C, and Related Matters**

**Presentation By**

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

**Summary**

This agenda item requests the Board of Trustees to authorize the sale and issuance of California State Polytechnic University, Pomona Student Union Revenue Bonds, Series C, in an aggregate principal amount not to exceed \$21,115,000 for a university union improvement phase II project.

**Recommended Action**

Adoption of the proposed resolutions.

## ITEM

2

Agenda Item 3  
March 14-15, 2000

### COMMITTEE ON FINANCE

#### **Authorize the Issuance and Sale of the California State Polytechnic University, Pomona Student Union Revenue Bonds, Series C, and Related Matters**

##### **Background**

This agenda item requests the Board of Trustees to authorize the sale and issuance of California State Polytechnic University, Pomona Student Union Revenue Bonds, Series C, in an aggregate principal amount not to exceed \$21,115,000 for a university union improvement phase II project.

The existing university union was completed in 1974. It has meeting rooms, multipurpose facilities, dining areas, recreational facilities, and ASI offices. As campus enrollment has expanded, additional facilities are needed to house student organizations and their programs plus other campuswide functions. Phase I of the project was completed in January 1998 and included the remodel of a significant portion of the facility's first floor lobby, a new pizza restaurant, candy store, and retail lease spaces. Additionally, upgrades were completed to the facility's life safety system.

Phase II of the project is budgeted at \$19,840,000, which includes equipment. The sale of bonds will provide approximately \$18,898,000 for the project construction after accounting for cost of issuance, capitalized interest during construction, and interest earnings on construction funds. The balance of the costs are funded from student union program reserves. The requested authorization includes a calculation for a purchased surety reserve which replaces the need for a bond funded reserve.

The student union revenue bonds issued pursuant to the State University Bond Act of 1947 are obligations of the Board of Trustees and will be paid for with student union fees. In February 1996 the students of California State Polytechnic University, Pomona endorsed the university union improvement project in a student election and approved a fee increase that will fully support the student union revenue bonds and financing associated with the project. When the project is completed, fees for the student union revenue bond program are expected to generate a coverage ratio of 1.46 in annual gross revenue to estimated maximum annual debt service on all of the Pomona student union bonds before operating costs. Funds for operations are paid from net revenues available on a year-to-year basis after meeting all bond repayment and bond revenue requirements.

The following summarizes key information on the proposed student union financing:

Not-to-exceed amount: \$21,115,000

Term: 30-year amortization

Estimated all-in TIC rate: 6.2% to 6.3%

June 30, 1999, debt service coverage 1.30 times

Projected debt service coverage, first year of operations:	1.46 times
Bond insurance commitment:	Seeking insurance qualification
Bond intrinsic rating before bond insurance:	A and A2 (Standard and Poor's and Moody's, respectively)

### **Proposed Facility**

The University Union Improvements, Phase II project includes an adjacent 53,266 gross square foot structure (approximately 41,588 assignable square feet) and a remodel of 22,500 gross square feet of the existing two-story facility. The remodeled first floor will house additional retail lease and food court dining space. The new two-story expansion will include a food court, large multipurpose room, lounges, and fitness center.

### **Other Information**

In May 1996 the project, both phase I and phase II, was approved by the Board of Trustees as part of the 1995/96 nonstate funded Capital Outlay Program. The most recent trustee approval was in September 1998 when phase II received schematic approval.

### **Trustee Resolutions**

Orrick, Herrington & Sutcliffe LLP as bond counsel for the trustees is preparing resolutions for the sale and issuance of revenue bonds to be presented for approval at this meeting that will achieve the following:

1. Authorize the sale and issuance of the California State Polytechnic University, Pomona Student Union Revenue Bonds, Series C, in an amount not to exceed \$21,115,000 and certain actions relating thereto including the approval of the form of the Notice of Sale as presented to the board at this meeting.
2. Approve the form of the official statement prepared by Kelling, Northcross & Nobriga, financial advisor, as presented to the board at this meeting.
3. Provide a delegation to authorize the chancellor, the executive vice chancellor and chief financial officer, and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bonds.

### **Recommended Action**

The resolutions being prepared by bond counsel and the form of the official statement will be distributed to the trustees at this meeting and presented for approval.