

AGENDA

COMMITTEE ON FINANCE

Meeting: 9:15 a.m., Wednesday, May 14, 2003
Glenn S. Dumke Auditorium

William Hauck, Chair
Shailesh J. Mehta, Vice Chair
Murray L. Galinson
Harold Goldwhite
Dee Dee Myers
Frederick W. Pierce IV
Erene S. Thomas
Kyriakos Tsakopoulos
Anthony M. Vitti

Consent Item

Approval of Minutes of Meeting of March 11, 2003
Approval of Minutes of Meeting of April 17, 2003

Items

1. Status Report on the 2003/2004 Support Budget, *Information*
2. 2003/2004 State University Fee Increase, *Action*
3. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects, *Action*
4. Public/Private Venture to Develop Student Housing on Private Property Adjacent to California State University, San Bernardino, *Action*
5. Real Property Venture at California State University, Fresno for a Mixed-Use Development Project, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON FINANCE**

**Trustees of The California State University
California State University, Fullerton
Titan Student Union Portola Pavilions B & C
Fullerton, California**

March 11, 2003

Members Present

William Hauck, Chair
Shailesh J. Mehta, Vice Chair
Murray L. Galinson
Debra S. Farar, Chair of the Board
Harold Goldwhite
Frederick W. Pierce, IV
Charles B. Reed, Chancellor
Erene S. Thomas

Members Absent

Dee Dee Myers
Kyriakos Tsakopoulos
Anthony M. Vitti

Other Trustees Present

Roberta C. Achtenberg
William D. Campbell
Bob Foster
Alexander Lopez
Ralph R. Pesquiera

Chancellor's Office Staff

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

Trustee Hauck called the meeting to order at 2:40 p.m.

Approval of Minutes

The minutes of January 28, 2003, and February 28, 2003 were approved.

Status Report on the 2003/2004 Support Budgets

Mr. Richard P. West, executive vice chancellor and chief financial officer, began the presentation noting he would have been assisted by Mr. Patrick Lenz, assistant vice chancellor for budget development, and Ms. Karen Yelverton Zamarripa, assistant vice chancellor, governmental relations.

Mr. West announced that on February 28, 2003, a special meeting of the Committee on Finance was held via teleconference to review the legislative analyst's report on the governor's budget. Mr. West said the meeting was helpful in reviewing CSU's position on the budget, and in obtaining valuable input from various constituents on the overall budget situation for the university.

Mr. Lenz reviewed details of the current year budget situation, and provided a brief overview of anticipated reductions and possible strategies for dealing with those realities. He identified enrollment growth and student fee increases as primary areas where further discussion is necessary.

Issues specific to CSU included a recommendation by the legislative analyst to put a cap on carry forward funds for campuses and the Chancellor's Office. Other issues of concern include a recommendation by the legislative analyst that pre-collegiate courses be funded at the community college rate; changes to the outreach program, and a proposed 7% across-the-board reduction to all programs within the state. Mr. Lenz indicated the senate would be taking up the CSU budget on Monday, March 17, 2003.

Mr. Lenz updated the committee on the consultative process initiated to keep all related areas in the loop and informed about the latest budget developments. He noted that on March 17, 2003 the Chancellor's Office would sponsor a Budget Summit. The purpose of the summit is to discuss the multitude of budget related issues we face, and to provide advice to the chancellor and the board on how to address those issues.

Mr. West introduced Ms. Yelverton Zamarripa and said she would present information and comment on the current status of the student fee increase and fee policy, as well as provide an update on various related bills currently in the pipeline.

With the aid of a PowerPoint presentation, Ms. Yelverton Zamarripa addressed the status of CSU's efforts in establishing a viable, stable, and predictable student fee policy. She indicated that fee policy discussions in the legislature began in the fall and are driven by two primary pieces of work: a supplemental report prepared by CPEC, and recommendations contained in

the final report of the master plan committee. She said a formal bill has been introduced in the full committee of higher education to put forward the CPEC recommendations. Ms. Yelverton Zamarripa said we do not expect the bill to be enacted this year; however, it is a step forward toward the goal of establishing a formal fee policy for CSU.

Ms. Yelverton Zamarripa informed the committee about other discussions regarding various financial aid related issues. She also mentioned a CSU sponsored bill introduced by assembly-member Marco Firebaugh that is critical for a long-term strategy in assuring that the student fee policy, the master plan, and financial aid policy are all in balance. Due to current fiscal restraints, the bill is not expected to be enacted. However, it does recognize the growing population of non-traditional students and the need to include them in considerations and discussions for financial aid assistance.

Trustee Pierce agreed that what is currently being done seems to make good long-term sense. In addition, he suggested exploring the possibility of creating a reserve policy to ensure a cushion in the event of future financial crises. Mr. West agreed and said that additional discussions on that idea would be appropriate.

Trustee Hauck encouraged pursuing appropriate changes to the budget structure to eliminate further dramatic peaks and valleys in the future.

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

Trustee Hauck explained the item addressed two separate campus projects.

Pomona Student Union Expansion

Mr. Dennis Hordyk, assistant vice chancellor for financial services said the first part of the item concerned expansion of the student union facility at the Pomona campus. The board in March 2000 approved the issuance of nearly \$21 million in bonds to finance a student union expansion project at the campus. Since that time, the project has experienced several unplanned delays including release of the original architect, and changing of the general contractor due to performance issues. The subsequent repackaging and re-bidding of the balance of the original contract resulted in a cost increase of \$2.7 million to complete the project.

The item requests approval for additional financing in an amount not to exceed \$2,840,000 to complete the project. The campus has developed a student union program financial plan that with completion of the expansion project this fall, and implementation of the planned student body center fee increase, demonstrates the student union program will be self supporting in 2003/2004, (the first full operating year for the new facilities).

Fin.

Trustee Galinson expressed concern regarding the unexpected delays and challenges mentioned in the item and asked for clarification. He also requested that in the future, more detail be included in the written item when something of this nature occurs.

Ms. Pat Farris, vice president, administrative affairs at Cal-Poly Pomona, explained the reason for the cost over-run was due to the overall ineptitude of the contractor. She cited inadequate bids and inability to perform as the primary reasons for the project's delay.

Trustee Lopez asked why no second referendum on the additional cost went through to the students for a vote. President Suzuki replied that he made the decision to approve the fee without an additional referendum due to the circumstances stated earlier and the need to complete the project with no further delays.

Channel Islands – Student Housing, Phase I

Mr. Hordyk presented the second part of the item pertaining to the CSU Channel Islands housing development project.

He explained CSU Channel Islands was requesting approval to proceed with the financing of the first phase of a design-build student housing project. Mr. Hordyk outlined the details of the proposed project noting that the financial ratios of the project were strong.

Mr. Hordyk indicated that final bids for the project had been received but had not yet been fully analyzed. He assured the committee they would not go forward with the project unless the bids fit within the project budget. Mr. Hordyk noted the campus has a financial plan that shows the project will pay for itself from the first full year of operation.

The committee recommended approval of the proposed resolution (RFIN 03-03-05).

Educational Partnership and Student Housing Development at California Polytechnic State University, San Luis Obispo

Trustee Hauck indicated the item called for Board of Trustees approval of the conceptual plan for a proposed housing project at the San Luis Obispo campus. In the future, he noted there would be several subsequent presentations with respect to a number of other aspects related to the project.

Mr. Hordyk explained the details of the housing development project and the proposed agreement with the Capstone Development Corporation. Through a partnership agreement, Capstone will develop campus land and provide approximately 2,700 beds in apartment residences, and approximately 2,000 parking spaces for Fall 2006 occupancy, or sooner, if possible.

Dr. Warren J. Baker, president, California Polytechnic State University, San Luis Obispo presented information on the campus's current housing dilemma, and spoke to the tremendous need for additional student housing at the campus.

Board members raised several issues related to the project. It was determined that a thorough review of the terms of the proposed agreement should be performed, and that issues not specified in the current proposal must be addressed before returning this item to the board for further discussion.

The committee recommended approval of the proposed resolution (RFIN 03-03-06).

The meeting adjourned at 3:47 p.m.

**MINUTES OF THE MEETING OF
SPECIAL COMMITTEE ON FINANCE**

**CSU Office of the Chancellor
Munitz Conference Room
401 Golden Shore
Long Beach, California
(Via Teleconference)**

April 17, 2003

Members Present

William Hauck, Chair
Debra S. Farar, Chair of the Board
Murray L. Galinson
Harold Goldwhite
Frederick W. Pierce, IV
Charles B. Reed, Chancellor ex officio
Kyriakos Tsakopoulos

Members Absent

Shailesh J. Mehta, Vice Chair
Dee Dee Myers
Erene S. Thomas
Anthony M. Vitti

Other Trustees Present

Roberta Achtenberg
Ricardo F. Icaza
Alexander Lopez

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 McClain, Vice Chancellor, Human Resources
Christine Helwick, General Counsel

Trustee Hauck called the meeting to order at 1:13 p.m.

Status Report on 2003-2004 Support Budget

Mr. Richard P. West, executive vice chancellor and chief financial officer, apprised the committee of the few activities that have occurred since his last update to the committee on March 11, 2003.

He explained this is normally the season where we start the process of reviewing the university's budget with the various subcommittees of the legislature. There have been several meetings to date, however, no action has been taken on any section of the budget including CSU's part of the budget. Mr. West added no issues were raised on the capital side of our budget and that he expected it to be approved shortly.

On the broader state budget side, there has been some debate about the actual size of the overall deficit ranging from the \$26 billion dollar estimate by the legislative analyst, to the \$35 billion that the governor proposed in the January proposal. Mr. West said the general feeling appears to be that actual tax collections may be below forecasts by a small amount increasing the possibility of further revisions to the January budget.

Mr. West informed the committee that an item would be presented at the May 2003 board of trustees meeting recommending a fee increase of 25 percent for undergraduate students, and 20 percent for graduate students.

Trustee Galinson asked for clarification on the purpose of the meeting. Mr. West said it was simply for information purposes only and that no actions would be called for.

Chancellor Reed commented on the differing budget deficit figures and the inability to predict the impact either amount would have. He indicated in view of all the uncertainties, it elevates the probability that the governor's January budget recommendations are the very best scenario for the CSU.

Trustee Hauck agreed and said he thought the May Revision will most likely not be good news.

2003-2004 Support Budget Consultation

Mr. West reported on the results of the internal consultation process outlining the successful and productive outcome of various efforts in this area. In particular, the feedback from the Budget Summit held on March 14, 2003 has been generally positive and useful in planning future budget strategies. He assured the committee that further consultative venues would continue throughout this difficult process.

Dr. Jacquelyn Kegley, chair, academic senate of the California State University, presented comments on behalf of the academic senate on the results of the Budget Summit and the overall budget status. Dr. Kegley thanked Chancellor Reed for the opportunity to participate in the

Summit saying it was a valuable exercise and proved a good forum for morale and community building.

Trustee Goldwhite asked if there was any indication as to whether the cuts would be unallocated. Mr. West said there was some sympathy on the senate side to do that, however the assembly has proposed language that would considerably restrict our flexibility.

There was a brief discussion on pursuing other possible sources of funding to help preclude a fee increase. Alternative revenue sources, voluntary giving/fundraising activities, and straight-out borrowing were discussed. However, each of those areas has their own set of complications and restrictions making them unlikely candidates for funding.

Chancellor Reed observed we are approximately one month away from entering into some very difficult times. He noted that all of the work, planning, and consultations this year have been based upon the governor's January budget. He reiterated the possibility that the May Revision could further reduce our budget. Dr. Reed concluded saying if further reductions are called for, there will be only two choices: increase fees beyond what the governor has recommended; or limit access to the CSU.

The meeting adjourned at 1:48 p.m.

COMMITTEE ON FINANCE

Status Report on the 2003/2004 Support Budget

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Patrick J. Lenz
Assistant Vice Chancellor
Budget Development

Summary

This item is being presented to the Board of Trustees as an information item. At the March board meeting, information was provided on several recommendations proposed by the Legislative Analyst that would have a significant impact on the CSU budget. CSU opposes the Legislative Analyst's recommendations regarding lowering the level of the resident student fee rate increase assumed in the Governor's Budget for undergraduate and graduate students, the redirection of CSU financial aid revenue from the fee increase to mitigate General Fund budget reductions, to reduce the level of funded enrollment growth to 4 percent over the 2002-03 budgeted enrollment target of 321,132 FTES, the establishment of State guidelines over the management of CSU institutional financial aid programs, and that the level of CSU campus-based carryover over be tied to the \$15 million systemwide limitation currently included in the budget act. These recommendations remain as open items in the legislative budget discussions now underway and will be resolved as the Assembly and Senate committees make final budget decisions.

Consultation

CSU is continuing consultations with constituency groups on the 2003-04 Support Budget. Another meeting of the System Budget Advisory Committee (SBAC) was held on April 7, 2003 where members reviewed all recommendations that were presented at the CSU March Budget Summit. Another meeting of the committee is scheduled for May 16 to discuss additional actions included in the Governor's May Revision to the 2003-04 Support Budget. On April 17, 2003, the Trustees Committee on Finance reviewed the issues raised at the March Budget Summit and information presented at the April 9th Assembly hearing on the CSU Support Budget. The Finance Committee meets on a monthly basis to review recommendations pertaining to the 2003-04 CSU support budget.

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May Revision to the 2003-04 Budget

Any budget actions taken in the May Revision to the 2003-04 Support Budget, which is scheduled for release the week of May 11, will be reported at the Board of Trustees May 13 – 14 meeting if known. Any materials related to the May Revise that are available will be presented as handouts at the May 13-14 meeting.

COMMITTEE ON FINANCE

2003/2004 State University Fee Increase

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Patrick J. Lenz
Assistant Vice Chancellor
Budget Development

Summary

The board has the authority to establish, adjust, and abolish systemwide fees. In December 2002, the Board increased undergraduate fees by 10 percent (\$72) and graduate fees by 15 percent (\$114), the first increase in resident student fees since 1994/95. Increasing student fees were estimated to generate a total of \$30 million in the remainder of the 2002-03 fiscal year, and \$60 million in the 2003/04 fiscal year on an annual basis. Of these amounts, \$10 million was set-aside for State University Grant financial aid in 2002-03 and \$20 million would be set-aside in 2003-04. The undergraduate fee increase would total \$144 on an annual basis in 2003-04. The graduate fee increase would total \$228 on an annual basis in 2003-04.

In January 2003, the Governor's Budget identified a statewide shortfall of approximately \$35 billion for fiscal year 2003-04. In order to help bridge the shortfall, the Governor's Budget proposed reducing the CSU General Fund budget by \$326 million. The Governor's Budget also assumed increases in student fees to achieve \$142 million in State University Fee revenue to mitigate these reductions. This revenue increase is predicated on CSU increasing resident student fees by 25% for undergraduate students and 20% for graduates students above the rates approved in December 2002. The revenue assumption is also based on CSU continuing Board of Trustees' financial aid policy approved in March 1993, which set asides one-third of the revenue from resident student fee increases for financial aid grants. The \$142 million fee revenue offset reflects combined net totals (\$40 million plus \$102.1 million) of the following approved and proposed fee actions:

| | |
|---|----------------------|
| Full-Year implementation of December 2002 Fee Rate Increases | \$60 million |
| CSU Fee Policy Financial Aid Grant Set-Aside | <u>-\$20 million</u> |
| Net 2002 Fee Rate Increase Revenue to Offset Reduction | \$40 million |

| | |
|---|------------------------|
| 2003/04 Proposed Rate Increase (25% Undergraduate and 20% Graduate) | \$152.2 million |
| CSU Fee Policy Financial Aid Grant Set-Aside | <u>-\$50.1 million</u> |
| Net 2003-04 Fee Rate Increase Revenue to Offset Reduction | \$102.1 million |

The total budget shortfall for CSU in the Governor's 2003-04 budget proposal is \$447 million, which includes a \$326 million cut in state dollars, \$78 million in mandatory costs that did not receive any funding but which the CSU is obligated to pay, and \$43 million in other permanent reductions. The shortfall is offset by \$142 million in net fee revenue (after financial aid) from the 2002-03 and 2003-04 proposed fee increases and \$45 million that was provided to address continuing enrollments over funded targets. After these offsets, the net shortfall facing CSU in 2003-04 is \$260 million based on the Governor's Budget. These numbers were reported to the Board of Trustees at their January 2003 meeting.

In order to address the fee action proposed in the 2003/04 Governor's Budget to mitigate the budget shortfall, undergraduate fees would increase annually from \$1,572 to \$1,968 (\$396) and graduate fees would increase annually from \$1,734 to \$2,082 (\$348). Assuming undergraduate fees of \$1,968 and including the average campus-based fee of \$498, the total annual undergraduate fee of \$2,466 would still be \$119 lower than the lowest of our comparison institutions and \$2,118 less than the average of the CSU comparison institutions in 2002-03. Comparison institution 2003-04 fee data is not currently available.

| 2002-03 Comparison Institution | | |
|--|----------------|----------------|
| Academic Year Resident, Undergraduate, Student Fee Levels | | |
| University | 2003-04 | 2002-03 |
| Rutgers University (Newark, NJ) | | \$7,308 |
| University of Maryland, at Baltimore | | 6,362 |
| University of Connecticut (Storrs, CT) | | 5,843 |
| State University of New York, at Albany | | 5,337 |
| Cleveland State University | | 5,196 |
| Illinois State University | | 5,037 |
| Wayne State University (Detroit, MI) | | 5,031 |
| COMPARISON AVERAGE* | | 4,584 |
| George Mason University (Fairfax, VA) | | 4,416 |
| University of Wisconsin, at Milwaukee | | 4,356 |
| University of Texas, at Arlington | | 4,123 |
| North Carolina State University | | 3,827 |
| Georgia State University, at Atlanta | | 3,472 |
| University of Colorado, at Denver | | 3,238 |
| University of Nevada, at Reno | | 2,622 |
| Arizona State University, at Tempe | | 2,585 |
| CALIFORNIA STATE UNIVERSITY | \$2,466 | 1,998 |
| <i>*Average does not include CSU</i> | | |

Recommended Trustee Action

The recommendation before the Board is to increase undergraduate fees by \$396 and graduate fees by \$348 for the 2003-04 Academic Year, effective Fall 2003, setting aside one-third of the fee revenue for State University Grant financial aid. The Board is requested to approve the following resolution.

RESOLVED, By the Board of Trustees of the California State University, that the following schedule for the State University Fee, which incorporates a twenty-five percent increase for undergraduate and twenty percent increase for graduate students, for the 2003-04 academic year, effective fall term 2003 is approved until further amended:

2003-04 State University Fee Schedule (Effective Fall 2003)

All Campuses, except California State University, Stanislaus:

| <u>Units</u> | <u>Per Semester</u> | <u>Per Quarter</u> | <u>Per Academic Year</u> |
|----------------------|---------------------|--------------------|--------------------------|
| Undergraduate | | | |
| 6.1 or more | \$984 | \$656 | \$1,968 |
| 0 to 6.0 | \$570 | \$380 | \$1,140 |
| Graduate | | | |
| 6.1 or more | \$1,041 | \$694 | \$2,082 |
| 0 to 6.0 | \$606 | \$404 | \$1,212 |

California State University, Stanislaus:

| <u>Units</u> | <u>Per Semester</u> | <u>Winter Term</u> | <u>Per Academic Year</u> |
|----------------------|---------------------|--------------------|--------------------------|
| Undergraduate | | | |
| 6.1 or more | \$895 | \$178 | \$1,968 |
| 0 to 6.0 | \$481 | \$178 | \$1,140 |
| Graduate | | | |
| 6.1 or more | \$948 | \$186 | \$2,082 |
| 0 to 6.0 | \$513 | \$186 | \$1,212 |

And, be it further

RESOLVED, That the chancellor may approve individual campus State University Fee rates that do not exceed the maximum fee rates established by this fee schedule.

2003-2004 Support Budget

Board of Trustees
Committee on Finance
May 14, 2003



Consultation Process

- ❖ System Budget Advisory Committee Feb. 21
- ❖ Trustees Committee on Finance Feb. 28
- ❖ Budget Summit Mar. 3
- ❖ Trustees Committee on Finance Mar. 11
- ❖ Labor Council Mar. 12
- ❖ System Budget Advisory Committee Apr. 7
- ❖ Trustees Committee on Finance Apr. 17



CSU Budget Facts

(based on Governor's Budget Proposal for 03-04)

Revenue (millions)

| | |
|---|-------------|
| State General Fund | \$2,582,851 |
| Student Fee Revenue | 943,695 |
| | <hr/> |
| Total General Fund & and Fee Revenue | \$3,526,546 |



Budget Facts - Reductions

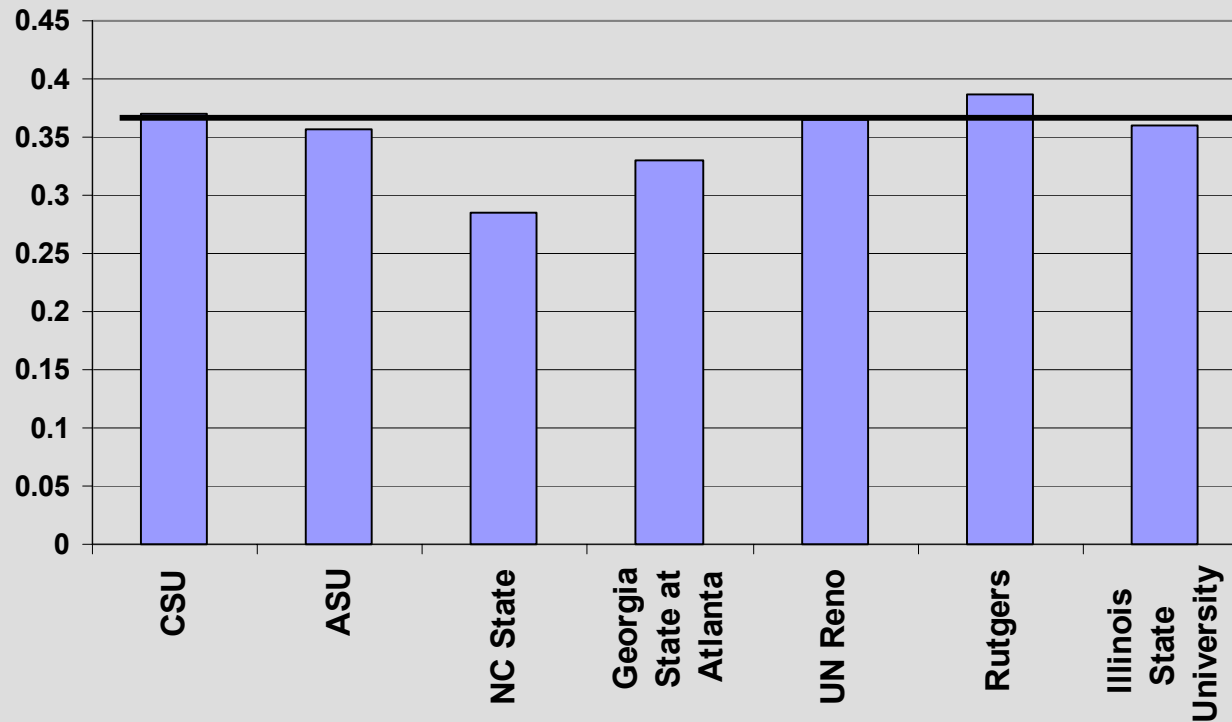
| | |
|--------------------------------------|-----------|
| Unfunded Mandatory Costs | (\$78.6) |
| Permanent Reduction, Long Term Needs | (43.0) |
| Budget Reductions | (326.1) |
| | <hr/> |
| Total Fiscal Impact to Campuses | (\$447.7) |
| CSU Revenues | 187.0 |
| Ongoing General Fund Reduction | (\$260.7) |



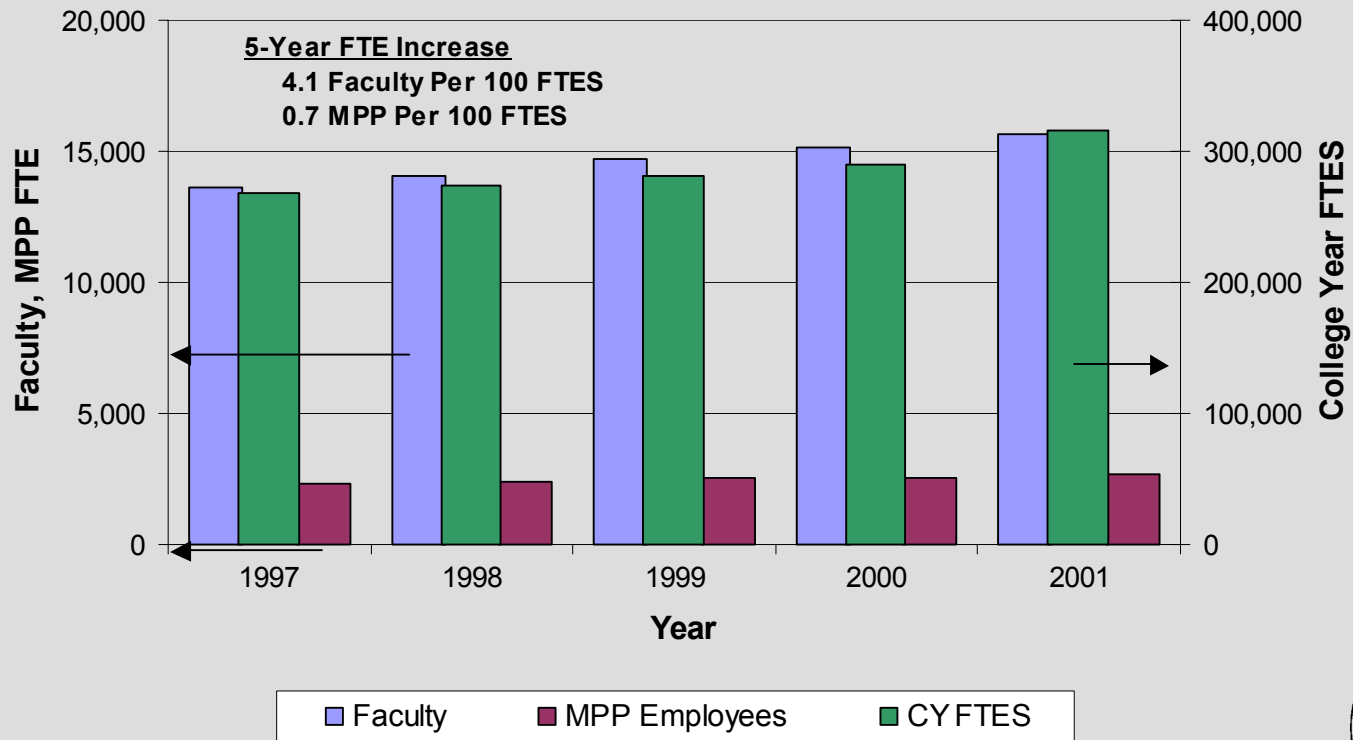
Expense Distribution



Instructional Expenditures at Comparison Institutions (% of expenditures from all funds)



Faculty, MPP and Student Counts 1997-2001



Budget Summit Recommendations



Further Exploration

❖ Short Term

- Establish core funding priorities
- Maintain campus consultative process
- Use January budget to plan
- Explore reducing repeated courses

❖ Long Term

- Implement a comprehensive fee policy that is linked to the state's economic condition
- Allow flexibility at all levels of the institution
- Focus on policy issues, not pragmatic responses
- Use multi-year budgets to minimize cuts



No Further Exploration

- ❖ Require students to pay costs for remedial courses
- ❖ Increase fees by 100%
- ❖ Eliminate or scale back YRO
- ❖ Return to pre-increase fee levels as crisis has passed
- ❖ Proportional cuts are best
- ❖ Reduce number of units for graduation
- ❖ Reduce required GE courses



Revise and Reconsider

- ❖ Reduce faculty assigned time
- ❖ Postpone implementation of CMS
- ❖ Seek additional flexibility in the use of lottery funds
- ❖ Evaluate enrollment management plans



System Budget Advisory Committee Discussions

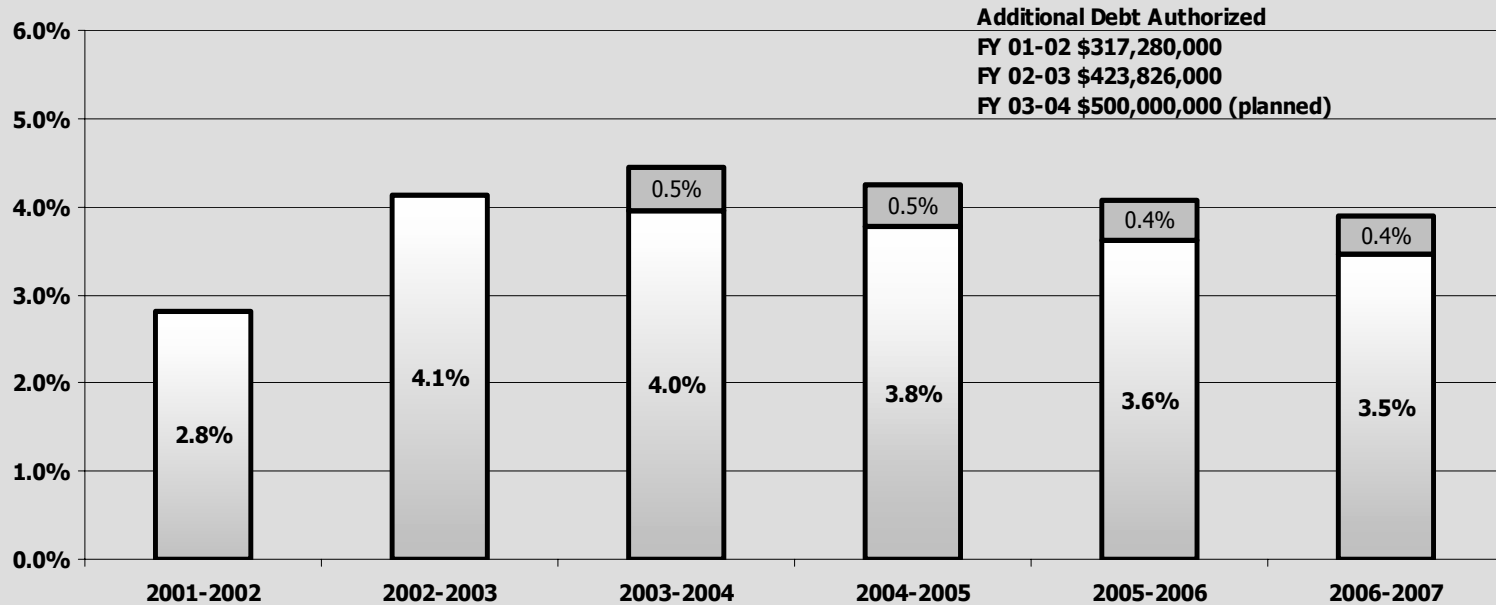


Systemwide Revenue Bonds

- ❖ Consolidated, general revenues pledged to guarantee to bondholders all debt issued through the Systemwide Revenue Bond (SRB) Program
- ❖ Pledge revenues include:
 - Student Housing
 - Student Union
 - Parking
 - Student Health Center
 - Continuing Education Revenue Fund (CERF)
 - Auxiliary projects that participate in SRB
- ❖ Specific revenues from each program are the primary repayment source for debt of that program



CSU Debt Capacity (May 2003 BOT items included)

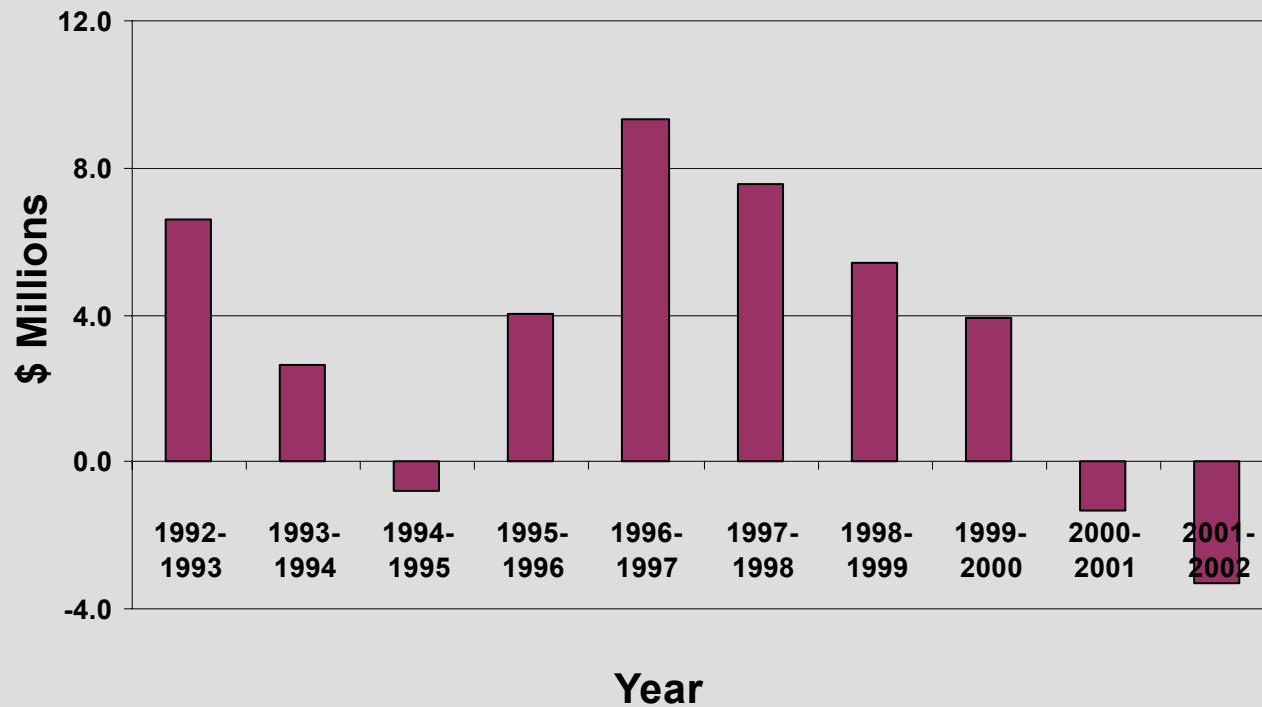


Total Outstanding Debt as of March 2003 excluding State Public Works Board Lease Revenue Bonds is approximately \$1,100,000,000.



CERF Annual Net Revenues

(Revenues minus Expenses)



CERF Capital Projects

- ❖ \$30.5M of current and projected revenue committed to CERF campus capital projects
- ❖ This represents half the current balance in CERF
- ❖ The balance is considered a reasonable reserve following common business practice



Parking, Housing and Continuing Education Funds

- ❖ Education Code proscribes the uses of these special funds
- ❖ Any transfer of funds must be repaid with interest
- ❖ Unwise to use one-time funds for on-going costs



CMS Implementation Schedule

July 2003

- ❖ 16 campuses on HR
- ❖ 15 campuses on Financial
- ❖ 6 campuses on Student Administration

July 2004

- ❖ 21 campuses on HR
- ❖ 15 campuses on Financial
- ❖ 8 campuses on Student Administration



Total Projected CMS Expenditures 2002-03 and 2003-04

| Expenditure Area | 2002-03 | 2003-04 |
|---|----------------------|----------------------|
| Operations and maintenance for campuses that have already implemented at least one CMS system | 42,838,880 | 45,444,043 |
| Existing Accounting, Human Resources, Student Services, & Finance staff assigned to CMS (in kind) | 10,484,703 | 10,259,997 |
| Campus completion of at least one HR, Financial or Student Administration system | 39,426,309 | 18,129,126 |
| Campus implementation yet to be initiated in least one system | 0 | 19,286,910 |
| CMS Totals | \$ 92,749,892 | \$ 93,120,076 |



Lottery Fund

- ❖ Law states that these funds are supplemental and must not supplant the state investment
- ❖ CSU and other education systems advised lottery funds can not be used to make long term commitments
- ❖ Lottery revenue is volatile



Philanthropic Foundation

- ❖ Ninety-seven percent (97%) of the \$257.2M raised in 2001-02 for voluntary support was for projects specified by the donor
- ❖ 55% of voluntary support dollars was specifically donated for one of the following categories: augmented funding for libraries, academics, financial aid, athletics, faculty research, plant operations and other restricted programs
- ❖ 16% of monies raised went into endowments for the same categories
- ❖ Donors do not want to provide money base operations



2002-03 Fee Comparison

All Mandatory Fees

| University | 2003-04 | 2002-03 |
|---|-----------------|-----------------|
| Rutgers University (Neward, NJ) | | \$ 7,308 |
| University of Maryland, at Baltimore | | 6,362 |
| University of Connecticut (Storrs, CT) | | 5,843 |
| State University of New York, at Albany | | 5,337 |
| Cleveland State University | | 5,196 |
| Illinois State University | | 5,037 |
| Wayne state University (Detriot, MI) | | 5,031 |
| COMPARISON AVERAGE * | | 4,584 |
| Geroge Mason University (Fairfax, VA) | | 4,416 |
| University of Wisconsin, at Milwaukee | | 4,356 |
| University of Texas, at Arlington | | 4,123 |
| North Carolina State University | | 3,827 |
| Georgia State University, at Atlanta | | 3,472 |
| University of Colorado, at Denver | | 3,238 |
| University of Nevada, at Reno | | 2,622 |
| Arizona State University, at Tempe | | 2,585 |
| CALIFORNIA STATE UNIVERSITY ** | \$ 2,466 | \$ 2,070 |
| State University Fee only | 1,968 | 1,572 |

* Average does not include CSU

** 03-04 CSU level assumes 25% increase



COMMITTEE ON FINANCE

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

Presentation By

Dennis Hordyk
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 interim financing under the CSU's commercial paper program in an aggregate amount not-to-exceed \$40,995,000 for the construction of two projects. To facilitate maximum flexibility in the commercial paper program, the Board is being asked to approve separate resolutions relating to each project. The long-term bonds, when sold for the projects are expected to bear the same ratings from Moody's Investor Services and Standard and Poor's Corporation as the existing Systemwide Revenue Bonds.

The projects are as follows:

1. Fullerton Parking Structure I

Previously, the Board of Trustees approved a parking structure I project for the Non-State Capital Outlay Program and schematic approval for the Fullerton campus. The project will be located in the southwest portion of the campus and will be constructed in the existing parking lot D. The structure will be four stories and will contain approximately 2,500 spaces. With the replacement of the existing lot, there will be 1,100 spaces lost; therefore, the campus parking program will have a net gain of 1,400 parking spaces. In addition, the project will include the refurbishment of an adjoining lot C to upgrade lighting, landscaping and slurry coating, along with a new access road into the parking structure I. Rapid campus growth has prompted the immediate need for additional campus parking along with the imminent construction of the state funded auditorium/fine arts instructional facility that is in the vicinity. The not-to-exceed par value of the proposed bonds (based on total project costs) is \$28,200,000, of which \$2,000,000 will be paid from campus parking program reserves and the remaining balance will be paid from financing proceeds. At the time the agenda item was written, the campus was awaiting receipt of construction bids. The project is scheduled to be completed in August 2004.

The following table provides information about the financing transaction.

| | |
|---|--------------------------------------|
| Not-to-exceed amount: | \$ 28,410,000 |
| Amortization | Approximately level over 25 years |
| Pro-forma maximum annual debt service | \$ 2,000,750 |
| Projected debt service coverage including the new project: ¹ | |
| Gross revenue – all Fullerton pledged revenue programs | 5.99 |
| Net revenue – all Fullerton pledged revenue programs | 2.21 |
| Net revenue – projected for the campus parking program | 2.01 |

1. Projected information – Combines the 2001/02 information for the campus-operated pledged revenue programs, and the net revenue and pro-forma debt service for the first year of principal amortization of the new project.

The not-to-exceed amount, the maximum annual debt service and the ratios above are based on the estimated construction project cost, expected debt service and capitalized interest at the current interest rate environment plus 50 basis points (computed average coupon rate – 5.05%; April 10, 2003), which provides a modest safeguard to be used if needed for changing financial market conditions that could occur before the permanent financing bonds are sold. The campus has developed a financial plan that demonstrates its ability to meet its program and debt service obligations. The financial plan includes level amortization of debt service, which is our CSU program standard. In addition, the campus is managing its overall use of debt so that with this project, the campus debt payments will total approximately 2.6% of its net unrestricted expenditures, which is within the maximum CSU internal benchmark allocation of 4.0% for campuses.

2. Los Angeles Parking Structure III

The Board of Trustees has approved a parking structure project in the CSULA campus master plan and the Non-State Funded Capital Outlay Program, and will be asked to approve the schematic plan under the Committee on Campus Planning, Buildings and Grounds at this meeting. The campus has developed a design/build project, and has qualified contractors earlier this year. The project consists of a four level parking structure with approximately 1,196 spaces and will be located on the existing parking lot C. With the replacement of the existing lot, there will be 290 spaces lost; therefore, the campus parking program will have a net gain of 906 parking spaces. The structure is needed to accommodate the loss of parking spaces on the campus due to the construction of the forensic science facility. The not-to-exceed par value of the proposed bonds (based on total project costs) is \$12,000,000, of which \$500,000 will be paid from campus parking program reserves, and the remaining balance will be paid from financing proceeds. The campus received good project bids and expects to open the facility in May 2004.

The following table provides information about the financing transaction.

| | |
|---|--------------------------------------|
| Not-to-exceed amount: | \$ 12,585,000 |
| Amortization: | Approximately level over 25 years |
| Pro-forma maximum annual expected debt service | \$ 887,640 |
| Projected debt service coverage including the new project: ¹ | |
| Gross revenue – all Los Angeles pledged revenue programs: | 6.06 |
| Net revenue – all Los Angeles pledged revenue programs: | 1.62 |
| Net revenue – projected for the campus parking program: | 1.35 |

1. Projected information – Combines the 2001/02 information for the campus-operated pledged revenue programs, and the net revenue and pro-forma debt service for the first year of principal amortization of the new project.

The not-to-exceed amount, the maximum annual debt service and the ratios above are based on the construction project bid amount, expected debt service and capitalized interest at the current interest rate environment plus 50 basis points (computed average coupon rate – 5.05%; April 10, 2003), which provides a modest safeguard to be used if needed for changing financial market conditions that could occur before the permanent financing bonds are sold. The campus has developed a financial plan that demonstrates its ability to meet its program and debt service obligations. The financial plan includes level amortization of debt service, which is our CSU program standard. In addition, the campus is managing its overall use of debt so that with this project, the campus debt payments will total approximately 2.8% of its net unrestricted expenditures, which is within the maximum CSU internal benchmark allocation of 4.0% for campuses.

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 each project described in this agenda item that authorize interim and permanent financing for these projects. The proposed set of 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 an amount not-to-exceed \$40,995,000 and certain actions relating thereto.
- (2) Provide a delegation to 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 bond anticipation notes and the revenue bonds.

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Approval, individually or in total, of separate sets of financing resolutions for the following projects as described in this agenda item is recommended:

Fullerton Parking Structure I

Los Angeles Parking Structure III

COMMITTEE ON FINANCE

Public/Private Venture to Develop Student Housing on Private Property Adjacent to California State University, San Bernardino

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Financial Services

Albert Karnig
President
CSU San Bernardino

Summary

California State University, San Bernardino proposes to enter into a public/private venture with American Campus-Titan (ACT), LLC to develop a student housing project on 11.5 acres of privately owned land located directly across the street from the San Bernardino campus. ACT purchased the property and has gained approval from the City of San Bernardino to construct a 480-bed student housing project. The campus finds the project extremely valuable and seeks to purchase the project and the land upon its completion in August 2004.

Background

For several years, the San Bernardino campus has had a strategic goal of increasing the availability of student housing on campus. For more than 35 years, the campus had only 406 beds provided in traditional dormitory style. In 2001, the campus added 319 beds in modern apartment-style, and another 314 beds were added in the fall of 2002. The current inventory of 1,039 beds provides 6.5% of availability of beds for a campus with an enrollment of over 13,500 FTE and a headcount approaching 17,000. With the addition of 480 beds, the overall total of 1,519 beds will provide 10% availability.

The campus desires to expand student housing to assure there are sufficient students on campus to spend more time on campus, promote student activities, enhance retention rates and increase graduation rates. Additional beds would allow an increased number of students to receive the residential advantages of students living on campus.

There remains a large amount of undeveloped land surrounding the San Bernardino campus. For many years, the campus has had a strategic goal of finding ways to either acquire properties located around its periphery or to enter into partnerships to control the development of the land in the best interests of the University.

This project would enable the University to acquire a prime parcel of land located strategically at the southeast corner of the main entrance to the University and directly across from the campus Student Housing Village.

Proposed Project

The proposed 169,638 square foot project is to be built directly across the street from the existing campus student housing complex. This is an ideal location, as this situation allows the student housing projects to be easily served by existing staff.

Six separate buildings are to be built on the site, including five 3-story student-housing buildings and a single-story community center. The building design will complement existing campus housing in style, design and building materials. The facilities will consist of concrete slabs on grade with spread concrete reinforced footings, wooden frames, stucco exteriors, drywall interiors and attractive and highly durable concrete tile roofs. The developer is willing to construct the facilities to the CSU's construction standards.

Ample parking will be provided around the outer perimeter of the buildings. There will be 429 spaces included within the wrought iron gated community, and 66 spaces provided for guest and overflow parking along the northern perimeter of the complex. The gates will be operated by a magnetic stripe key card system provided to residents only.

There will be a large swimming pool surrounded by a spacious pool deck. A sand volleyball court and a large park-like central courtyard are also included. Generous landscaping throughout the project will complement the landscape plan of the campus.

Vehicle access to the facility will be provided by utilizing an existing cut in the center divider in Northpark Boulevard. A new traffic signal will be added, including left-turn lane signals. For added safety, the crosswalk will be delineated with an accented color and texture of pavement. The driveway entry into the project parking lot will align directly with "Serrano Drive" – the existing campus roadway that provides access to on-campus housing.

The apartment-style housing complex will contain a variety of unit types designed to meet the demands of today's students. There will be 24 two-bedroom, one-bath units; 84 four-bedroom,

two-bath units; and 24 four-bedroom, four-bath units. The total number of bed spaces for all units combined is 480.

Five market studies have been conducted over the last five years. The studies have consistently demonstrated the demand for student housing far exceeds the availability; that students' parents find great value in housing operated by the University; that students prefer apartment-style housing; and the price range of CSUSB housing is reasonable.

Development Procedure

The campus proposes to enter into a development agreement with ACT in which ACT would construct the project at their sole risk. The campus would return to the Board of Trustees at the July 2003 meeting seeking approval of a Campus Master Plan revision, a Nonstate Capital Program amendment, a schematic design of the project, an EIR, a financing plan and the development agreement. In addition, the campus will continue with its analysis of project elements such as the values assigned to the property, the construction, and the developer's profit to develop the proper conclusion as to whether the CSU would be receiving appropriate value for the purchase price of the project. Upon final approval from the Board, the campus would issue a "Letter of Intent" to buy the land and project from the developer after its completion. The source of funds would be bonds sold through the Trustees Systemwide Revenue Bond Program.

The campus presented the project to the Student Housing Proposal Review Committee on April 17, 2003. The committee provided a positive recommendation to the campus president and the Executive Vice Chancellor and Chief Financial Officer.

Summary

This agenda item provides information to the Board of Trustees regarding a proposal to enter into an agreement with a private developer in which the developer would build 480 beds of student housing on private land located directly across the street from the San Bernardino campus. The campus would purchase the project and the land from the developer upon completion, using proceeds of bonds issued through the Systemwide Revenue Bond Program as the source of funds.

Recommend Action

The following resolution is recommended for approval:

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

1. Approve the concept of a public-private partnership that would provide land and facilities to support the University's educational mission and academic programs, and bring additional student housing to the campus.
2. Authorize the chancellor and the campus to enter into negotiations for agreements as necessary to facilitate the public/private partnership as explained in Agenda Item 4 of the May 13-14, 2003 meeting of the Committee on Finance.
3. Will consider the following additional action items:
 - a) Approval of the development plan negotiated by the campus and the developer with the advice of the chancellor for additional student housing;
 - b) Approval of the master plan to delineate the future campus boundary as it pertains to the project;
 - c) Approval of an amendment to the Nonstate Capital Program;
 - d) Approval of the schematic design;
 - e) Approval of the EIR; and
 - f) Approval of a financing plan.

COMMITTEE ON FINANCE

Real Property Venture at California State University, Fresno for a Mixed-Use Development Project

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

John D. Welty
President
California State University, Fresno

Summary

This item requests conceptual approval to permit the campus to continue developing a plan for a real property venture project at California State University, Fresno for a mixed-use development by the California State University, Fresno Association, Inc., (hereinafter referred to as "Association") a recognized campus auxiliary organization.

Background

In 1995, the Association retained the firm of Keyser Marston Associates, Inc. (KMA) to assist with potential development and identification of land uses that would yield the highest and best use for another parcel of university property known as the "Sixty-Nine Acre Parcel". This parcel had not been under agricultural production since the widening of Willow Avenue that separated this parcel from the rest of the farm laboratory acreage. The result of that evaluation was the recommendation for the university to develop alternative university property located along the Shaw Avenue frontage that was more valuable and marketable due to its location and proximity to the future Save Mart Center, which is on schedule, on budget and due to be completed in November 2003.

With the completion of the State Route 168 interchange at Shaw and Bullard Avenues and the construction of the Save Mart Center, the university is confident that the development of this property will provide an opportunity to enhance the university's educational mission, support operations at the Save Mart Center and yield a valuable return to the university.

Project Description

The proposed site for this mixed-use development is approximately 45 acres and is located east of the Save Mart Center project off Shaw Avenue adjacent to a freeway interchange for State Route 168. The land is currently part of the university's farm laboratory and has historically been used for seasonal crops.

A Request for Qualifications for selection of a master developer has been issued and two responsive proposals were received. The proposals include the opportunity to develop the property with the following land uses: 150 to 200 hotel rooms with conference facilities, 300 to 900 residential units including student and faculty housing, up to 170,000 sq. ft. of campus related office space, and 125,000 to 325,000 sq. ft. of retail space, together with all required parking facilities. The development of this parcel may occur in phases depending upon the market demand for each land use. These land uses would help to support the needs of the university as well as the anticipated events to be held at the Save Mart Center. The development of this parcel will be designed to be architecturally compatible with the Save Mart Center and consistent with campus master planning requirements. An appraisal for this parcel was completed in 2001 and indicates a fair rental value of approximately \$985,000 per year assuming a mix of land uses.

Budget and Financing

The university is prepared to execute a ground lease with the Association and the Association will then enter into a sub-ground lease with a master developer. The expected term of the ground lease is approximately 50 years based on the requirements of conventional financing to be secured by the master developer. The annual ground lease revenue generated from the property is one of the revenue sources pledged to support the bond financing of the Save Mart Center project, of which the financing plan was approved by the Trustees in March 2001. It is the university's intent to require the developer to fund all costs associated with the environmental and entitlement processes in accordance with CSU requirements. The estimated cost to develop this parcel is approximately \$100 to \$150 million.

The Chancellor's Office is currently working to develop a conclusion about whether the project would be considered a use of the CSU's debt capacity. This analysis depends on many specific project issues some of which are unknown at this stage. Currently the campus is managing its overall use of debt so that the campus debt payments total approximately 2.6% of its net unrestricted expenditures, which is within the maximum CSU internal benchmark allocation of 4.0% for campuses. If this project were considered as part of the CSU's use of credit, and 80% of a \$150 million project cost was financed over 30 years with tax exempt bond rates and level debt service repayment plan (standards in the CSU's debt program), the campus' use of credit

would rise to approximately 5.6% of unrestricted expenditures, which is above the maximum internal benchmark for campuses.

The 4% debt service internal benchmark for campuses has been established as part of the plan to manage debt in the CSU. Over all a systemwide target of 6% is recognized to be a prudent debt maximum, and by establishing the campus levels at 4% the management plan has created a cushion that can be allocated for special situations where there is a greater need. This project, if so financed, would consume part of that cushion. Campuses have been asked to manage and prioritize their use of debt capacity as we approach the prudent limit.

Educational Benefits

The development of this property will help to support the academic mission of the university by providing land uses that will complement the services required by the campus and the Save Mart Center which are currently not available or in adequate to meet the growing campus population. The potential land uses that would provide educational benefits include student housing as the current on-campus housing facilities are at capacity; retail opportunities that are not currently provided by the auxiliary enterprises; hotel/conference facilities that could be integrated with an academic program within the Craig School of Business; and potential office space for grant and contracts. The development of this parcel also addresses the financial requirements of the bond obligation for the Save Mart Center, which indirectly provides educational benefits to the campus.

Alternative Uses and Value of Land

Currently this property is used for seasonal crops as part of the university's farm laboratory. The Sixty Nine Acre Parcel that was previously undeveloped has now been redeveloped into an almond orchard.

Due Diligence

The university has established a campus review committee that includes representation from the campus faculty and administration to ensure consultation and communication with various campus constituencies. As the project moves forward in the development process, the related master plan revisions, amendment of the non-state capital outlay program, any proposed schematic plans, financial plans, proposed key business points of the finalized development plan and the required environmental documents will be presented at future meetings for approval.

Recommended Action

The following resolution is recommended for approval:

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

1. Approve the concept of a public-private partnership for a mixed-use development on 49 acres at California State University, Fresno.
2. Authorize the chancellor and the campus to enter into negotiations for agreements as necessary to develop a final plan for the public/private partnership as explained in Agenda Item 4 of the May 13-14, 2003 meeting of the Committee on Finance.
3. Will consider the following additional action items:
 - a) Approval of a development and financial plan negotiated by the campus and a developer with the advice of the chancellor for additional student housing;
 - b) Approval of the master plan as it pertains to the project;
 - c) Approval of an amendment to the Nonstate Capital Program;
 - d) Approval of the schematic design; and
 - e) Approval of the EIR.