

AGENDA

COMMITTEE ON FINANCE

Meeting: 3:15 p.m., Tuesday, November 16, 2004
Glenn S. Dumke Auditorium

William Hauck, Chair
Shailesh J. Mehta, Vice Chair
Roberta Achtenberg
Carol R. Chandler
Debra S. Farar
Bob Foster
Eric Guerra
Raymond W. Holdsworth
Kathleen E. Kaiser
Frederick W. Pierce IV

Consent Item

Approval of Minutes of Meetings of September 14 and October 28, 2004

Discussion Items

1. 2004/2005 Student Fee Report, *Information*
2. Approval for a Real Property Acquisition and Purchase of a Student Housing Project and for the Issuance of Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments, *Action*
3. Expanded Phase of Public/Private Partnership at California State University, Dominguez Hills with the Anschutz Southern California Sports Complex, LLC., *Action*
4. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON FINANCE
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

September 14, 2004

Members Present

William Hauck, Chair
Roberta Achtenberg
Carol R. Chandler
Debra S. Farar
Bob Foster
Murray L. Galinson, Chair of the Board
Eric Guerra
Raymond W. Holdsworth
Kathleen E. Kaiser
Shailesh J. Mehta
Frederick W. Pierce, IV
Charles B. Reed, Chancellor

Approval of Minutes

The minutes of July 13, 2004 were approved.

Mr. Hauck announced there would be a change in the order of presentation of the items as printed in the agenda book. He indicated the item on Principles Governing a State Funding and Student Fee Policy, would be Item No. 3 rather than Item No. 2.

Report on the 2004/2005 Support Budget

Mr. Patrick Lenz, assistant vice chancellor, budget development, presented the item. He expressed his appreciation of the collaborative efforts among the many and diverse groups involved in working through the difficult issues encountered during development of the 2004/2005 budget.

Utilizing a series of slides, Mr. Lenz reviewed the content of the printed agenda item.

Mr. Lenz pointed out while the CSU received \$40.3 million for enrollment and outreach programs, academic preparation, and EOP, it should be recognized that the net fiscal impact to the CSU in the 2004/2005 fiscal year resulted in a loss of \$157 million. Given the 2004/2005 budget reductions and budget cuts from the prior two fiscal years, the CSU is still facing a net fiscal impact of \$524 million.

Mr. Lenz added that the Compact Agreement for Higher Education that will begin with the 2005/2006 fiscal year would initiate recovery efforts to reinvest in the California State University.

Report on the 2005/2006 Support Budget

Mr. Lenz brought the committee up to date on the most recent discussions with the Systemwide Budget Advisory Committee and the Executive Council on the 2005/2006 support budget.

Utilizing a series of slides, Mr. Lenz reviewed the components and factors involved in development of the 2005-2006 support budget.

Mr. Lenz then reviewed the details of the Compact for Higher Education scheduled to commence in fiscal year 2005/2006 and ending in the 2010/2011 fiscal year. The Compact will serve to provide fiscal stability to the University and allow for future planning for enrollment, student fees, financial aid, compensation, and restoration of the academic infrastructure (libraries, technology equipment and deferred maintenance).

Mr. Lenz presented an overview of the timeframe for internal development of the University budget, anticipated discussions with the Department of Finance and the Governor's Office, and the tentative legislative schedule for taking actions on the state budget.

He concluded the presentation noting that this was an information item in preparation for the October 28, 2004 Board of Trustees meeting during which a vote will be taken on the 2005/2006 CSU budget.

Principles Governing a State Funding and Student Fee Policy

Mr. West introduced the item noting that last fall, the Board requested Chancellor Reed to review the student fee policy adopted in 1993, and to recommend any necessary modifications to the existing policy statement. Mr. West informed the new board members that since last November, the committee has received regular briefings on the progress of discussions with the various entities involved in working on updating the policy.

Mr. West introduced Ms. Karen Zamarripa, assistant vice chancellor, advocacy and institutional relations, and asked her to present an update on the status of the most recent discussions regarding the fee policy.

Utilizing a slide presentation. Ms. Zamarripa recapped the series of events leading to the request for adoption of the proposed student fee policy.

The proposed policy calls for annual adjustments of resident undergraduate and post-baccalaureate fees until they reach one-third of the cost of the students' education. Annual increases in undergraduate and post-baccalaureate fees would be no larger than 10 percent. Resident graduate fees would be gradually raised to a level equal to 150 percent of the undergraduate fee. Once the student fees reach these levels, future annual adjustments would be based on the change in California per-capita income.

She concluded reiterating that a long-term student fee policy would provide more predictability and stability to students and will allow the CSU to better manage its resources.

The item was intended as an action item however, based on the comments and discussions during presentation of the item it was decided to postpone a vote on the proposed resolution until the October 28, 2004 Board of Trustees Meeting.

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

Mr. Dennis Hordyk, assistant vice chancellor for financial services, presented the action item.

Mr. Hordyk explained the item requested authorization of issuance of systemwide revenue bonds and interim financing under the commercial paper program for an amount not to exceed \$28,505,000 to provide needed funds for construction of two projects.

The first project was a request from CSU, Northridge, for approval of financing for Phase II of the CSU, Northridge University Union Renovation project. Mr. Hordyk presented a brief synopsis and history of the project. He noted the campus has received good bids on the project and if approved expects to award the contract shortly with a planned opening of the facility in November 2005.

The second project was a request by CSU, Fresno, for approval of financing for a new student union facility located on the west side of the campus near the Save Mart Center.

Mr. Hordyk provided the details of the project as outlined in the agenda. He pointed out that some of the numbers are slightly different from those in the printed agenda because bids came in higher than expected. The campus made adjustments to compensate for the bids. One of the adjustments involves postponement of the Lyle Center component of the project because the bids' higher cost exceeded the available donor funds for this portion of the project. Mr. Hordyk confirmed this component of the project would be deferred until sufficient donor funds become available.

Trustee Pierce asked to be recused from the vote due his interest in a project near the CSU, Fresno project.

Trustee Kaiser inquired about the statement on page 3 of the agenda item regarding amendment of a ground lease. Mr. Hordyk explained the reason for the amendment was to assure exclusion of the west complex area from the Save Mart Center and to confirm that full title of the land is available for the financing of the west complex. He acknowledged the amendment had been made and was scheduled to be recorded within the week.

The committee recommended approval of the proposed resolution (RFIN 09-04-08).

California State University Annual Investment Report

Mr. West introduced the item noting that it contained details of the annual investment report for fiscal year 2003-2004 for funds managed under the California State University (CSU) Investment Policy. He briefly reviewed the history and creation in 1997 of the centralized investment program to manage investment of funds held in CSU trust funds.

Mr. West noted the CSU hired the firm of Metropolitan West to serve as the external fund manager for the investment program. He explained the primary role of Metropolitan West includes the day-to-day management of investment pools, and recommending investment goals and strategies. Mr. West then introduced Mr. Russ Gould, senior member of the Metropolitan West team, and asked him to provide details of the current investment report.

Mr. Gould addressed the committee and updated them on the status of the three investment accounts. Of particular note, was the decision to close the long-term account. Mr. Gould explained the reasoning behind closure of the account citing extremely low interest rates and lack of yield potential as primary factors.

Trustee Mehta congratulated Mr. Gould on the positive overall performance of the investment program for the year. He asked Mr. Gould where the money from the long-term account would be shifted. Mr. Gould replied it was to be determined by each campus. He noted the campuses now have a good sense of how the various accounts work and depending upon their potential use of the funds, and when they will need them, they will either move them to the medium or short term accounts.

Trustee Pierce observed the numbers in the agenda differed from those on the presentation charts and asked for clarification. Mr. Gould responded that the charts were more up-to-date and reflected the most current numbers through the end of August 2004.

Trustee Pierce also requested that future reports contain some form of measurement that indicates the return per unit of risk. Mr. Gould noted that Metropolitan West performs a sensitivity process to determine potential in both rising and declining interest rate environments in terms of the effect on the securities being held. He said he would be glad to provide whatever information the trustee requires.

COMMITTEE ON FINANCE

2004/05 Student Fee Report

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Summary

CSU student fee policy requires that an annual campus student fee report be presented to the Board of Trustees to allow the board to consider the level and range of fees charged to CSU students. Summary tables in this report include the 2004/05 academic year, resident, undergraduate student fees required to apply to, enroll in, or attend the university by CSU campus, and 2003/04 versus 2004/05 summary fee levels by CSU campus.

Also, included are tables with 2004/05 fees levels at CSU comparison public institutions. The California Postsecondary Education Commission has historically referenced 15 institutions for faculty compensation and student fee comparisons. Comparison of CSU and 15 institutions 2004/05 academic year resident, undergraduate, graduate, and nonresidents student fee levels are presented.

2004/05 Student Fee Report

CSU 2004/05 academic year resident, *undergraduate* student fees include the systemwide State University Fee (SUF) and required campus fees. The total systemwide and campus fees average is \$2,916. The total is comprised of \$2,334 for the undergraduate SUF (6.1 units or more) and \$582 for the average campus based fees that must be paid to apply to, enroll in, or attend the university.

In 2004/05 systemwide State University Fee levels were increased 14 percent for undergraduate students. Also, increases in the State University Fee (SUF) occurred in 2002/03 (10 percent at mid-year) and in 2003/04 (30 percent). Prior to 2002/03, an increase in SUF had not occurred since 1994/95. Further, SUF reductions of 5 percent occurred in both 1998/99 and 1999/00. The board retains authority to establish, adjust, and abolish systemwide fees.

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The CSU 2004/05 average campus based fees that must be paid to apply to, enroll in, or attend the university are \$582, which represents a \$56 or 10.7 percent increase from the prior year. Other campus fees may be charged that are not required of all enrolled students, which include fee policy Category III (user) and Category IV (penalty/deposit) types of fees. As outlined in the CSU student fee policy, prior to adjusting or establishing a campus fee, appropriate and meaningful consultation must occur, which includes consultation with the campus fee advisory committee. Campus presidents have the authority to adjust campus fees after appropriate consultation. To establish campus fees, campus presidents must forward a request to the chancellor following appropriate consultation. After an additional review process, campus fees are established by chancellor's executive order.

Credential program participants and graduate/other post-baccalaureate systemwide State University Fees (SUF) rates are greater than the undergraduate SUF. Similar to undergraduate fees, systemwide SUF levels have increased in recent years. In 2004/05, credential program participant SUF rates increased 20 percent to \$1,572 for 6 units or less and \$2,706 for 6.1 units or more per academic year. In 2004/05, graduate/other post-baccalaureate SUF rates increased 25 percent to \$1,638 for 6 units or less and \$2,820 for 6.1 units or more per academic year. Further, nonresident students pay an additional fee. Nonresident tuition fees are \$339 per semester unit and \$226 per quarter system unit, an increase of 20 percent from the prior year. Also, nonresident tuition was increased 15 percent in 2002/03, and prior to that had not been increased since 1991/92.

Currently under review is an update to "Principles Governing a State Funding and Student Fee Policy" that endorse that systemwide fees should be gradual, moderate, and predictable. The draft principles define the cost of education as the average cost per student based on the total General Fund appropriation, prior year State University Fee revenue, and budget deficiencies and that the student's share of the cost of education not exceed one-third of the total cost.

Following are 2004/05 academic year resident, undergraduate students fees by campus, and 2003/04 versus 2004/05 summary fee levels by CSU campus:

CSU 2004/05 Academic Year Resident Undergraduate Student Fees									
	State University Fee (SUF)		Campus Fees (Annual fees that must be paid to apply to, enroll in, or attend the university)						Total (6.1 units or greater)
	6.1 Up to 6 units or greater		Health Facilities	Health Services	Instructionally Related Activities	Materials, Services, and Facilities	Student Body Assoc.	Student Body Center	SUF and Campus Fees
Bakersfield	\$1,356	\$2,334	\$6	\$150	\$64	\$6	\$77	\$70	\$2,707
Channel Islands	1,356	2,334	6	120	100	70	124	40	2,794
Chico	1,356	2,334	6	210	204	4	102	294	3,154
Dominguez Hills	1,356	2,334	6	80	10	0	135	206	2,771
Fresno	1,356	2,334	6	130	20	46	58	110	2,704
Fullerton	1,356	2,334	6	50	52	46	108	208	2,804
Hayward	1,356	2,334	6	105	48	3	45	165	2,706
Humboldt	1,356	2,334	6	161	96	10	71	185	2,863
Long Beach	1,356	2,334	6	70	50	10	88	100	2,658
Los Angeles	1,356	2,334	6	120	60	0	54	275	2,849
Maritime Academy	1,356	2,334	6	530	130	30	210	0	3,240
Monterey Bay	1,356	2,334	0	0	0	291	96	40	2,761
Northridge	1,356	2,334	6	60	30	0	136	212	2,778
Pomona	1,356	2,334	6	135	40	0	83	213	2,811
Sacramento	1,356	2,334	6	76	21	0	225	162	2,824
San Bernardino	1,356	2,334	6	122	74	15	66	289	2,906
San Diego	1,356	2,334	50	170	190	20	30	142	2,936
San Francisco	1,356	2,334	6	198	150	4	84	104	2,880
San Jose	1,356	2,334	6	135	54	30	147	252	2,958
San Luis Obispo	1,356	2,334	7	142	188	812	193	298	3,974
San Marcos	1,356	2,334	50	100	80	12	100	100	2,776
Sonoma	1,356	2,334	24	212	358	22	120	338	3,408
Stanislaus	1,356	2,334	6	175	112	0	68	112	2,807
Systemwide Average	\$1,356	\$2,334	\$10	\$141	\$93	\$62	\$105	\$170	\$2,916
						Average Campus Based Fees:	\$582		

**CSU 2004/05 versus 2003/04 Academic Year Resident,
 Undergraduate Student Systemwide and Campus Fees**

(6.1 units or more)

Campus	2004/05	2003/04	Increase
Bakersfield	\$2,707	\$2,419	\$288
Channel Islands	2,794	2,382	412
Chico	3,154	2,796	358
Dominguez Hills	2,771	2,483	288
Fresno	2,704	2,418	286
Fullerton	2,804	2,516	288
Hayward	2,706	2,418	288
Humboldt	2,863	2,539	324
Long Beach	2,658	2,362	296
Los Angeles	2,849	2,441	408
Maritime Academy	3,240	2,896	344
Monterey Bay	2,761	2,473	288
Northridge	2,778	2,444	334
Pomona	2,811	2,500	311
Sacramento	2,824	2,518	306
San Bernardino	2,906	2,582	324
San Diego	2,936	2,488	448
San Francisco	2,880	2,480	400
San Jose	2,958	2,563	395
San Luis Obispo	3,974	3,508	466
San Marcos	2,776	2,414	362
Sonoma	3,408	3,010	398
Stanislaus	2,807	2,503	304
System Average	\$2,916	\$2,572	\$344
Systemwide SUF:	\$2,334	\$2,046 *	\$288
Avg. Campus Based Fees:	\$582	\$526	\$56

The 2004/05 CSU comparison institution academic year resident, *undergraduate*, student fees are provided below. The California Postsecondary Education Commission has historically referenced these institutions for faculty compensation and student fee comparisons. CSU continues to maintain the lowest undergraduate fees among the 15 comparison public

institutions. The 2004/05 comparison institutions student fee average is \$5,656 and the CSU student fee average is \$2,916. The following table lists the 2004/05 comparison institution fee levels and changes from 2003/04 fee levels:

2004/05 CSU Comparison Institution Academic Year Resident Undergraduate, Student Fee Levels				
University	2004/05	2003/04	2004/05 Increase	
Rutgers University (Newark, NJ)	\$8,869	\$7,927	\$942	11.9%
University of Maryland, Baltimore County	8,020	7,388	632	8.6%
University of Connecticut (Storrs, CT)	7,490	6,844	646	9.4%
Cleveland State University	6,618	5,916	702	11.9%
State University of New York at Albany	6,383	6,343	40	0.6%
University of Wisconsin at Milwaukee	5,835	5,107	728	14.3%
Wayne State University (Detroit, MI)	5,819	5,693	126	2.2%
COMPARISON AVERAGE¹	5,656	5,205	451	8.7%
Illinois State University (Normal, IL)	5,588	5,340	248	4.6%
George Mason University (Fairfax, VA)	5,448	5,112	336	6.6%
University of Texas at Arlington	5,093	4,423	670	15.1%
North Carolina State University	4,260	3,970 ²	290	7.3%
University of Colorado at Denver	4,160	3,662	498	13.6%
Georgia State University at Atlanta	4,154	3,920	234	6.0%
Arizona State University at Tempe	4,066	3,595	471	13.1%
University of Nevada at Reno	3,034	2,830	204	7.2%
CALIFORNIA STATE UNIVERSITY	2,916	2,572	344	13.4%

¹Average does not include CSU; ²2003/04 amount updated

Further, the 2004/05 CSU comparison institution *graduate and nonresident* undergraduate students fees are listed with prior year fee levels in tables below. CSU also has the lowest *graduate* fees among comparison institutions. The 2004/05 comparison institutions graduate student fee average is \$7,663 and CSU's graduate student fee average is \$3,402.

2004/05 CSU Comparison Institution				
Academic Year Resident GRADUATE, Student Fee Levels				
University	2004/05	2003/04	2004/05 Increase	
University of Maryland, Baltimore County	\$13,500	\$12,660	\$840	6.6%
Rutgers University (Newark, NJ)	10,846	10,026	\$820	8.2%
Wayne State University (Detroit, MI)	9,978 ⁴	9,240 ^{2,4}	738	8.0%
Cleveland State University	9,308	8,320	988	11.9%
State University of New York at Albany	8,949	8,433	516	6.1%
University of Connecticut (Storrs, CT)	8,476	7,680	796	10.4%
University of Wisconsin at Milwaukee	8,131	7,403	728	9.8%
George Mason University (Fairfax, VA)	7,830 ⁴	5,880	1,950	33.2%
COMPARISON AVERAGE¹	7,663	6,797	867	12.7%
University of Colorado at Denver	6,918 ⁴	4,850	2,068	42.6%
University of Texas at Arlington	6,740	5,623 ²	1,117	19.9%
Illinois State University (Normal, IL)	5,646	5,560	86	1.5%
Arizona State University at Tempe	5,310	3,795	1,515	39.9%
Georgia State University at Atlanta	4,830	4,562	268	5.9%
North Carolina State University	4,479	4,189	290	6.9%
University of Nevada at Reno	4,009	3,730	279	7.5%
CALIFORNIA STATE UNIVERSITY	3,402 ³	2,782	620	22.3%

¹ Average does not include CSU; ² 2003/04 amount updated; ³ Credential student fee differential from graduate fee beginning in 2004/05=\$3,288; ⁴ Wide range of graduate fee levels-amount represents common or average program fee level

2004/05 CSU Comparison Institution				
Academic Year NONRESIDENT undergraduate, Student Fee Levels¹				
University	2004/05	2003/04	2004/05 Increase	
University of Connecticut (Storrs, CT)	\$19,322	\$17,628	\$1,694	9.6%
University of Wisconsin at Milwaukee	18,587	17,858	729	4.1%
North Carolina State University	16,158	15,818	340	2.1%
University of Colorado at Denver	16,116	15,154	962	6.3%
Rutgers University (Newark, NJ)	15,904	14,441	1,463	10.1%
George Mason University (Fairfax, VA)	15,816	14,952	864	5.8%
University of Texas at Arlington	15,800	12,883 ³	2,917	22.6%
University of Maryland, Baltimore County	15,620	14,240	1,380	9.7%
COMPARISON AVERAGE²	14,585	13,704	881	6.4%
Georgia State University at Atlanta	14,260	13,544	716	5.3%
CALIFORNIA STATE UNIVERSITY	13,086	11,032	2,054	18.6%
Arizona State University at Tempe	12,938	12,028	910	7.6%
Wayne State University (Detroit, MI)	12,562	12,276	286	2.3%
State University of New York at Albany	12,333	12,293	40	0.3%
University of Nevada at Reno	11,708	11,317	391	3.5%
Cleveland State University	11,410	11,316	94	0.8%
Illinois State University (Normal, IL)	10,245	9,810	435	4.4%

¹Nonresident student fee levels include nonresident tuition, State University Fee, and required campus-based fees; ²Average does not include CSU; ³2003/04 amount updated

COMMITTEE ON FINANCE

Approval for a Real Property Acquisition and Purchase of a Student Housing Project and for the Issuance of Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Financial Services

Albert Karnig
President
California State University, San Bernardino

Summary

This item requests the Board to approve the purchase by the CSU of a student housing project constructed by a private developer on private land located across the street from the campus and to authorize the issuance of Systemwide Revenue Bonds and interim financing under the CSU's commercial paper program in an amount not to exceed \$30,335,000. The long-term bonds for the project will be part of a future Systemwide Revenue Bond sale and are expected to bear the same ratings from Moody's Investors Service and Standard and Poor's Corporation as the existing Systemwide program bonds which are A1 (positive outlook) and A- (positive outlook) respectively.

The Committee on Campus Planning Buildings and Grounds will be asked to approve an amendment of the Nonstate Capital Funded Capital Outlay program at this meeting.

Background

The Board approved a resolution at the May 13-14, 2003 meeting to 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 close to campus. The resolution authorized the Chancellor and the campus to enter into negotiations for agreements as necessary to facilitate the public-private venture as proposed in Agenda Item 4 of the May 13-14, 2003 meeting of the Committee on Finance.

The Board also approved resolutions at the July 15-16, 2003 meeting which authorized the Chancellor or his designee to enter into an "Option to Purchase Agreement" and "Affiliation

Agreement” consistent with Agenda Item 4 of the July 15-16, 2003 meeting of the Committee on Finance. At the July 13-14, 2004 Board meeting, the Board certified a Mitigated Negative Declaration for the Campus Master Plan Revision, which included the parcels of land on which the subject student housing project has been built, as well as the adjacent 2.2 acres for a total of 11.28 acres.

Development Procedure and the Agreements

As per the authority granted by the Board at the July 2003 BOT meeting, the Chancellor’s designee entered into an Affiliation Agreement and an Option to Purchase Agreement with the developer, American Campus-Titan (ACT). The parties agreed to the following key concepts. Once the developer’s project nears completion, the rental housing would be operated in accordance with the terms of the Affiliation Agreement, until such time as the University may exercise its option to purchase the facility. The Affiliation Agreement includes the terms under which the campus is affiliated with the developer during the marketing stage and initial operations of the project prior to the possible acquisition by the CSU, and indefinitely if the CSU does not purchase the project.

The Option to Purchase Agreement includes a description of the scope of the project, a not-to-exceed dollar amount to establish the purchase price, and the procedure in which the CSU may purchase the project. ACT has borne all the development costs and risk, including the risk of costly claims, change orders, and liability for potential litigation that accompanies many construction projects.

The CSU now has a window of opportunity to purchase the project at the price negotiated two years ago. It is deemed prudent to purchase the property while the Option Agreement is in force to gain the economic benefits and the management controls which ownership will bring.

Project Description

The approximately 169,638 square foot and 11.28 acre project is built directly across the street from the existing campus student housing complex. ACT has constructed six separate buildings on the site, including five 3-story student housing buildings and a single-story community center. The building design complements existing campus housing in style, design and building materials. The developer constructed the facilities to the CSU’s construction standards and obtained approvals from all of the agencies required by the CSU, including the CSU Seismic Review Board. There are 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. The beds are 100% occupied.

Ample parking is provided around the outer perimeter of the buildings. There are 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 are operated by a magnetic stripe key card system provided to residents only.

There is a large swimming pool surrounded by a spacious pool deck. A sand volleyball court and a large park-like central courtyard are also included. In addition, the exercise to purchase option agreement includes the ownership of 2.2 acres of adjacent land that will enhance future developmental and operational flexibility at the campus.

Five campus market studies have been conducted over the last five years. The studies have consistently demonstrated that 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 campus housing is reasonable. The project received a favorable recommendation by the Chancellor's Office Housing Proposal Review Committee in May 2003.

Due Diligence Review

California State University, San Bernardino has conducted a Due Diligence Review and submitted a comprehensive report to the Chancellor's Office on September 27, 2004. The report contains required legal and construction related documentation, including an environmental assessment report, ALTA survey report, CEQA report, preliminary title report, plan check approvals, current financial analyses, a current property appraisal report, and other related support documentation.

Financing

The not-to-exceed par value of the proposed bonds is \$30,335,000 and is based on a project cost of \$29,125,000 of which \$25,977,880 is allocated to the housing program for its related project costs and \$3,147,120 is allocated to the parking program. The total project acquisition and costs will be paid from financing proceeds.

The following table provides information about this financing transaction:

Combined Not-to-exceed amount:	\$30,335,000
Amortization:	Approximately level over 30 years
Pro-forma maximum annual expected debt service:	\$2,059,465
Projected debt service coverage including the new project: ¹	
Gross revenue – all San Bernardino pledged revenue programs:	2.69
Net revenue – all San Bernardino pledged revenue programs:	1.45
Net revenue – projected for the campus Housing program:	1.24
Net revenue – projected for the campus Parking program:	8.65

1. Projected information – Combines unaudited 2003/04 information for the campus-operated pledged revenue programs and the first year of operation of the new projects with expected full debt service.

The not-to-exceed amount for both the projects totaling \$30,335,000, the maximum annual debt service, and the ratios above are based on the project total costs, expected debt service and financing costs at the current interest rate environment plus 100 basis points (computed average coupon rate – 5.53%; October 14, 2004), 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 financial plan includes level amortization of debt service, which is our CSU program standard. A pro forma financial analysis consisting of projected revenues, expenses, debt service, and reserves has been prepared for each program. The analysis indicates the ability of the programs to meet the requirements of the CSU systemwide revenue bond debt financing program. The financial plan shows net revenue debt coverage for the housing program and for the parking program which meet the CSU benchmark of 1.10 for programs. The campus combined net revenue debt service coverage from all pledged revenue programs is above the 1.35 times debt service system benchmark.

The campus is managing its overall use of debt so that with the total project, the campus debt payments will total approximately 3.94% of its net unrestricted expenditures, which is within the maximum CSU internal benchmark allocation of 4.0% for campuses.

Resolution

The following resolution is presented for approval:

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

1. The Trustees authorize the Chancellor or his designee to exercise the Option to Purchase the ACT student housing project consistent with Agenda Item 4 of the July 15-16, 2003 meeting of the Committee on Finance.
2. 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 \$30,335,000 and certain resolutions related thereto as prepared by Orrick, Herrington & Sutcliffe, LLP, as bond counsel and as distributed at the meeting to the Trustees.
3. Provide a delegation to the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, and their designees to take any and all actions to complete the subject acquisition of the project and sale and issuance of the bond anticipation notes and the revenue bonds.

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

San Bernardino Real Property Acquisition and Purchase of Student Housing Project

COMMITTEE ON FINANCE

Expanded Phase of Public/Private Partnership at California State University, Dominguez Hills with the Anschutz Southern California Sports Complex, LLC.

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Financial Services

James E. Lyons, Sr.
President
California State University, Dominguez Hills

Summary

California State University, Dominguez Hills proposes to enter into an expanded phase of an existing public/private partnership with Anschutz Southern California Sports Complex, LLC (ASC) to develop and construct a conference center; a 200-room hotel; a 60,000 square foot athletics training center/office complex; a 50,000 square foot field house/training center; and a 240-bed dormitory facility on a 5-acre parcel that is currently leased to Anschutz Entertainment Group (AEG) and is used for surface parking. Along with the new facilities, AEG will provide annual financial considerations and pay for the construction of additional parking for the campus.

Background

In June 2001, the Board of Trustees approved the public/private partnership that led to the construction of the \$150 million Home Depot Center sports complex on the campus of California State University, Dominguez Hills. The existing partnership provided ASC with a lease of 85-acres for the major components of the development. There was also a 40-acre section of campus property on which the developer renovated existing athletic facilities to allow for its programs' use when the University is not using the facilities.

Over 750,000 visitors passed through the gates of this facility during its first year of operation, which has been recognized as an official Olympic training venue. All campus athletic facility improvements agreed upon in the initial partnership were completed and the financial goals that were set have been exceeded. To date, the campus has received over \$1 million in lease and revenue sharing payments. The additional development proposed will improve programming and training opportunities as well as provide increased shared revenue opportunities for the campus.

Proposed Project

This additional development proposes the construction of a conference center; a 200-room hotel; a 60,000 square foot athletics training center/office complex for users of the venue; a 50,000 square foot field house/training center for indoor sports such as basketball and volleyball; and a 240-bed dormitory facility for camps and clinics designed to train young athletes. The development site, which is on land that the campus has already leased to the developer, is approximately 5-acres and will displace approximately 450 parking spaces. The developer will be responsible for funding and constructing the displaced parking in another location identified by the campus. No additional property will be leased to the developer; however, the developer will continue to be allowed access to additional parking, as is the arrangement under the initial agreement.

The developer will fund all costs associated with the development of this project, including the Environmental Impact Report. Neither the campus nor any of its auxiliary organizations will incur any debt with this project and it will therefore not impact the Trustees' debt capacity. This expansion will provide additional facilities and revenue to the campus but will not impact the initial term of the agreement, which was entered into in 2001 and extends to 2056, assuming all three 10-year extensions are exercised.

Educational Benefits and Synergies

The conference center will allow the campus to further develop its corporate training programs and create a hotel management program. This proposal also provides for internship opportunities and academic collaborations for CSU, Dominguez Hills students, which will enhance their educational experience. There will also be financial benefits to the campus that will provide educational program improvements.

Economic Benefits

The key aspects of the financial components of this project that have been proposed are:

- The campus will receive 4% of gross revenues from guest rooms, conference center rentals and fees, parking, and food and beverage, with a minimum guarantee of \$200,000 per year. The minimum payment will be escalated annually by the consumer price index, at a minimum of 2% and a maximum of 6%.
- An additional cash payment of \$250,000 will be made each year for the first four years, totaling \$1 million.

- Campus will receive 10% of net naming rights revenues from any new developments resulting from this proposal.

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 development concept for the expanded public/private partnership as presented in this agenda item
2. Authorize the Chancellor to enter into negotiations for agreements as necessary to facilitate the additional development of campus lease land as explained in this agenda item.
3. Will consider the following additional action items for approval at the appropriate times during the process:
 - a) Approval of the development plan;
 - b) Approval of the master plan amendment;
 - c) Approval of schematic plans; and
 - d) Approval of the applicable CEQA document.

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 \$75,075,000 to provide needed funds for three 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 for the projects will be part of a future Systemwide Revenue Bond sale and are expected to bear the same ratings from Moody's Investors Service and Standard and Poor's Corporation as the existing Systemwide program bonds which are A1 (positive outlook) and A- (positive outlook), respectively.

The projects are as follows:

1. California State University, Dominguez Hills Loker Student Union Addition/Remodel

Previously the Board of Trustees approved the amendment of the Nonstate Funded Capital Outlay program and schematics for the Loker Student Union Addition/Remodel project. The two-story addition includes an interior courtyard adjoining the existing student union building on the north side of the facility. The project consists of the renovation of the existing student union (approximately 61,000 gross square feet) and the building addition (approximately 54,000 gross square feet). The project includes an expanded bookstore, new and expanded food court, student study areas and lounge space, a multicultural center, game room sports lounge, additional space for clubs and organizations, a ballroom, and student program related administrative offices. In April 2001, the California State University, Dominguez Hills students voted to increase the student body center fee for the renovation and expansion.

The not-to-exceed par value of the proposed bonds is \$24,425,000, and is based on an estimated project of \$34,360,000, of which \$8,125,000 will be paid from campus student union reserves,

\$4,000,000 from a donation from Mrs. Katherine B. Loker, \$383,000 from insurance proceeds related to a recent property damage settlement, with the remaining balance paid from financing proceeds. At the time the agenda item was written, the campus was awaiting receipt of construction bids. The campus expects to award the contract in January 2005 so that the project is scheduled to be completed in August 2006.

The following table provides information about the financing transaction.

Not-to-exceed amount:	\$24,425,000
Amortization:	Approximately level over 30 years
Pro-forma combined maximum annual expected debt service:	\$1,678,919
Projected debt service coverage including the new project: ¹	
Gross revenue – all Dominguez Hills pledged revenue programs:	4.81
Net revenue – all Dominguez Hills pledged revenue programs:	0.62
Net revenue – projected for the Dominguez Hills Student Union Program:	1.14

1. Projected information – Combines unaudited 2003/04 information for the campus-operated pledged revenue programs and the first year of operation of the new project with expected full debt service.

The not-to-exceed amount, the maximum annual debt service, and the ratios above are based on the construction project bids, expected debt service and capitalized interest at the current interest rate environment plus 100 basis points (computed average coupon rate 5.60%; October 14, 2004), 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 financial plan includes level amortization of debt service, which is our CSU program standard. The campus has submitted a financial plan that has a 1.14 student union program net revenue debt service coverage, which meets the CSU benchmark of 1.10. When the estimated debt service for this student union project is assigned to the pledged net revenues for all defined programs, the debt service coverage falls to 0.62, which is well below the system benchmark of 1.35. The primary reason for this shortfall is the 2003-04 operating losses, which were incurred by the Extended Education program from its implementation of new strategic academic programs. This was necessary because of the revenue losses that occurred when the campus moved to state funded year round operations. Extended Education had adequate reserves to absorb these short term losses. Additionally, housing rental rates and daily parking rates are being increased to improve the campus debt coverage ratio.

The campus is managing its overall use of debt so that with the union project, the campus debt payments will total approximately 2.54% of its net unrestricted expenditures, which is within the maximum CSU internal benchmark allocation of 4.0% for campuses.

2. California State University, Fullerton Parking Structure 2

Previously, the Board of Trustees approved the amendment of the Nonstate Funded Capital Outlay program and the Board is now being asked to approve the schematic plans for this project under the Committee on Campus Planning, Buildings and Grounds. The Fullerton Parking Structure 2 project will be constructed on a portion of the existing parking lot B, displacing 630 spaces while providing 1,601 new spaces, providing a net increase of 971 parking spaces (1,513 spaces in the structure and 88 spaces in surface lots) to the campus inventory. The project will also upgrade parts of surface Parking Lots B and K and a short-term surface lot adjacent to the Titan Student Union. This modified design/build project will be located immediately north of the Titan Student Union in the northwest area of the main campus and will be five-stories plus parking on the roof level for a total of six levels.

The not-to-exceed par value of the proposed bonds is \$18,485,000 and is based on a project cost of \$20,700,000, of which \$4,000,000 will be paid from campus parking program reserves, and the remaining balance will be paid from financing proceeds. The project delivery method is design-build and the campus received good bids in October 2004. The project is scheduled to begin construction in March 2005 and be completed in May 2006.

The following table provides information about this financing transaction.

Not-to-exceed amount:	\$18,485,000
Amortization:	Approximately level over 25 years
Pro-forma maximum annual expected debt service:	\$1,350,147
Projected debt service coverage including the new project: ¹	
Gross revenue – all Fullerton pledged revenue programs:	5.15
Net revenue – all Fullerton pledged revenue programs:	2.14
Net revenue – projected for the campus Parking program:	1.33

1. Projected information – Combines unaudited 2003/04 information for the campus-operated pledged revenue programs and the first year of operation of the new project with expected full debt service.

The not-to-exceed amount for the project totaling \$18,485,000, the maximum annual debt service, and the ratios above are based on a construction project bid amount, expected debt service and capitalized interest at the current interest rate environment plus 100 basis points (computed average coupon rate – 5.42%; October 14, 2004), 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 financial plan includes level amortization of debt service, which is our CSU program standard. The campus has submitted a financial plan that has

a 1.33 program net revenue debt service coverage, which meets the CSU benchmark of 1.10. The campus combined net revenue debt service coverage from all pledged revenue programs is above the 1.35 times debt service system benchmark.

The campus is managing its overall use of debt so that with the parking project, the campus debt payments will total approximately 2.94% of its net unrestricted expenditures, which is within the maximum CSU internal benchmark allocation of 4.0% for campuses.

3. California State University, Los Angeles University Auxiliary Services, Inc. (UAS) – Golden Eagle Facility

Previously the Board of Trustees was informed of an auxiliary financing for the Cal State Los Angeles University Auxiliary Services, Inc. (UAS), a recognized auxiliary organization in good standing, to finance the construction of a UAS building (Golden Eagle). The facility consists of two separate, 3-story buildings that provide various services to the university, which include a bookstore, food services, catering and banquet rooms, extended education programs and offices for the Office of Research and Sponsored Programs and the UAS. The Golden Eagle is currently owned and operated by the UAS on campus land that has been leased to them. The campus has made the decision, based on the efficiency and management oversight of the Systemwide Revenue Bond program, to proceed with the acquisition of the improvements. Upon the Trustees' approval, this will be the first campus to manage its existing stand-alone auxiliary debt through the SRB program.

The original cost of the facility was \$30,405,000, based on the actual construction costs of the project as completed in 2002. The cost for the Board to acquire the facility will be the cost to fund an escrow which is sufficient to fund debt service on the UAS bonds originally issued to finance the facility through the June 1, 2011 call date, and to redeem the remaining principal amount of such bonds at that time. The actual cost of the escrow will be determined at the time of issuance of the Systemwide Revenue Bonds and is currently estimated to be approximately \$32,800,000. The Board will own the facility and enter into a financing lease, thereby providing the Board with the funds for repayment of the debt.

The following table provides information about the financing transaction.

Not-to-exceed amount:	\$ 32,165,000
Amortization:	Approximately 28 years
Pro-forma maximum annual expected debt service:	\$ 2,135,352
Projected debt service coverage including the new project: ¹	
Gross revenue – all Los Angeles pledged revenue programs:	12.31
Net revenue – all Los Angeles pledged revenue programs:	1.53
Net revenue – projected for the Los Angeles University Auxiliary Services, Inc.	1.16

1. Projected information – Combines unaudited 2003/04 information for the campus-operated pledged revenue programs and the first year of operation of the new project with expected full debt service.

The not-to-exceed amount, the maximum annual debt service, and the ratios are based on the estimated cost of the escrow plus a 50 basis point cushion and expected debt service at the current interest rate environment (computed average coupon rate 4.45%; October 14, 2004). The campus combined net revenue debt service coverage from all pledged revenue programs is above the 1.35 times debt service system benchmark. The campus has submitted a financial plan that has a 1.16 auxiliary program net revenue debt service coverage that does not meet the auxiliary program target of 1.25; however, the campus is committed to making the program fiscally balanced. The purchase of this facility will be an advance refunding of the UAS's existing bonds and will also require the UAS to provide a reserve fund that will be maintained by the Board and may be applied in the future to pay operating expenses, debt service, or other costs relating to the facility.

The financing lease between the Board and the UAS will include a general obligation pledge of all the UAS's revenues exclusive of funds restricted by a donor or by law. Thus, the lease would contain covenants that require that lease payments have the first call with any other debt service payments on the UAS's revenue before any annual discretionary distributions are made to the campus.

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 the 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 \$75,075,000 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.

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

- 1. Dominguez Hills Loker Student Union Addition/Remodel**
- 2. Fullerton Parking Structure 2**
- 3. Los Angeles University Auxiliary Services, Inc. (UAS) – Golden Eagle Facility**