

## AGENDA

### COMMITTEE ON FINANCE

**Meeting: 1:00 p.m., Tuesday, November 10, 1998**  
**Auditorium**

James H. Gray, Chair  
Anthony M. Vitti, Vice Chair  
William D. Campbell  
Jim Considine  
Martha C. Fallgatter  
Harold Goldwhite  
Eric C. Mitchell  
Maridel Moulton  
Joan Otomo-Corgel  
Ali C. Razi  
Michael D. Stennis  
Stanley T. Wang

#### **Consent Items**

Approval of Minutes of Meeting of September 15, 1998

#### **Discussion Items**

1. Annual Student Fee Report, *Information*
2. Delineating and Consolidating CSU Policy for Financing Activities and a Related Notice of Intent to Change Title 5, California Code of Regulations, *Action*
3. Authorize the Issuance and Sale of the San Diego State University Parking System Revenue Bonds, Series A, and Related Matters, *Action*
4. Private Sector Participation in the Development of The Village at Centennial Square at San Francisco State University, *Action*
5. Approval of an Auxiliary Organization Tax Exempt Financing at San Jose State University, *Action*
6. Private Sector Participation in the Development of a Marine Environmental Resources Building at California Maritime Academy, *Action*
7. Private Sector Participation in the Development of a 150-Acre Vineyard at California Polytechnic State University, San Luis Obispo, *Action*

**MINUTES OF MEETING OF  
COMMITTEE ON FINANCE**

**Trustees of The California State University  
Glenn S. Dumke Conference Center  
400 Golden Shore  
Long Beach, California**

**September 15, 1998**

**Members Present**

James H. Gray, Chair  
William D. Campbell  
Martha C. Fallgatter  
Harold Goldwhite  
Laurence K. Gould, Jr.  
Eric C. Mitchell  
Maridel Moulton  
Joan Otomo-Corgel  
Ali C. Razi  
Charles B. Reed, Chancellor, ex officio  
Stanley T. Wang

**Members Absent**

Anthony M. Vitti, Vice Chair  
Jim Considine  
Michael D. Stennis

**Other Trustees Present**

Ralph R. Pesqueira  
Alice S. Petrossian

**Chancellor's Office Staff**

June M. Cooper, Senior Vice Chancellor and Interim Chief of Staff  
David S. Spence, Executive Vice Chancellor  
Richard P. West, Senior Vice Chancellor, Business and Finance  
Christine Helwick, General Counsel  
Samuel A. Strafaci, Interim Senior Director, Human Resources

**Presidential Liaisons**

Ruben Armiñana, President, Sonoma State University, present  
Albert K. Karnig, President, California State University, San Bernardino, present

Chair Gray called the meeting to order at 1:23 p.m.

The minutes of July 14, 1998, were approved.

**Status Report on the 1998/99 Support Budget**

Trustee Otomo-Corgel asked Mr. Richard P. West, senior vice chancellor, business and finance, to present the item.

Senior Vice Chancellor West said it has been a highly successful budget year for the CSU. The 1998/99 budget plan includes permanent and one-time funding totaling \$302.7 million from the state General Fund and other CSU revenue sources. Funds will be distributed based on the trustees' 1998/99 budget priorities and special state funding initiatives. Of particular note was the addition of \$77 million in one-time funding for critical unfunded needs.

Trustee Harold Goldwhite asked for clarification on the distribution to the campuses of the \$19.4 million to replace revenue loss resulting from the 5 percent undergraduate fee rate reduction. Senior Vice Chancellor West explained that this would be a dollar for dollar replacement and is recognized as part of the base.

Trustee Otomo-Corgel inquired about the Governor's Office vetoes. Senior Vice Chancellor West replied that the primary considerations for the governor's approval were the inclusion in the May Revise and compatibility with the leadership compromise of the overall budget. If something was not part of the May Revise, the governor and the Department of Finance recommended deletion.

**Development of the 1999/00 Support Budget**

Senior Vice Chancellor West presented a series of slides highlighting the current assessment of the state's fiscal environment and the 1999/00 Support Budget proposal. The 1999/00 Support Budget will be brought to the committee for action at the October 1998 meeting.

Senior Vice Chancellor West noted that at the moment the economy is performing well and unemployment is relatively low. However, he cautioned that it would be necessary to closely observe conditions in the world market and how they might affect the future financial climate.

Senior Vice Chancellor West then reviewed conversations currently under way with legislative leaders and the Department of Finance around the possibility of a Compact II. The need for a new compact appears to be strong since it is anticipated there will be a great deal of additional pressure from the competing state funded programs

Senior Vice Chancellor West identified proposed next steps for network support and how to fund technology infrastructure as an alternative to the CETI project. Mr. West indicated that new areas were being examined and that the subject would be brought back to the board with more details at a subsequent meeting.

Chancellor Reed asked the board members if they would be willing to hold the October meeting by telephone rather than coming to the Chancellor's Office. After a brief discussion, it was decided that the meeting would be held by telephone on October 29, 1998.

Trustee Wang inquired about what the forecasted budget increase might be for next year. Senior Vice Chancellor West replied that in his estimation, a 3 to 4 percent growth range could possibly be

a reality but ultimately depended on a number of factors including the impact of any tax reductions and on general economic activity. Chancellor Reed added that growth will be about half of what it was this year.

### **The California State Investment Report**

Senior Vice Chancellor West announced this was the second report on the short term investment pool. He introduced Mr. Russ Gould, of Metropolitan West.

Mr. Gould explained that Metropolitan West is the agency contracted to conduct the money management associated with CSU's short term investment pool. He explained that two funds have been set up for this purpose: a short term fund, and a total return fund, to help distinguish the type of funding sources and the need for liquidity in both kinds of funds. Mr. Gould said Met West's investments are very conservative and consistent with the government code. Met West puts a premium on maintaining the principal and on having appropriate liquidity for the particular kind of fund source and on the return.

Chancellor Reed thanked Mr. Gould and his organization for their outstanding work.

### **Private Sector Participation in the Development of the North Campus Property at California State University, Northridge**

Senior Vice Chancellor West said the concept of the proposal was presented to the committee in March. Approval is sought to proceed with negotiations with Mini Med, a manufacturer of medical goods on the campus and to enter into a ground lease with the foundation which culminates in a public/private partnership. The terms of the conditions have been reviewed and are consistent with financial projections provided to the board.

Dr. Blenda J. Wilson, president, California State University, Northridge, added that three of the campus colleges have programs that are directly related to the expertise and work of Mini Med. She noted there were other non-financial and important aspects of the public/private partnership which would benefit the campus as well.

The committee recommended approval of the proposed resolution (RFIN 09-98-14).

### **Authorize the Issuance and Sale of California State University, Chico Student Union Revenue Bonds, Series B, and Related Matters**

Senior Vice Chancellor West explained that the purpose of the item was to fund a student union project at CSU Chico. Bids associated with the construction of the project came in higher than expected. Therefore, the campus administration and the student administration have agreed to the additional funding that would come from student fee revenues. Mr. West said this was an unusual situation and reflects the strong economic conditions in the construction and housing industry.

The committee recommended approval of the proposed resolution (RFIN 09-98-15).

**Authorize the Issuance and Sale of San Francisco State University Student Union Revenue Bonds, Series B, and Related Matters**

The item requests the same approval as the previous resolution for the Chico campus. Senior Vice Chancellor West emphasized again, project cost increases are due to the unusual variance with respect to market conditions in the construction field and the lack of sufficient bids.

Trustee Wang asked if we have some method in place for checking the architects on these projects and if we solely rely on their estimates. Mr. Patrick Drohan, deputy senior director, physical planning and development, responded that their estimates are followed throughout the design process and we have relied on them to give us their best estimates at the time of completion of the work drawings. He then referred to a slide reflecting what bidding trends have been over the past few years.

The committee recommended approval of the proposed resolution (RFIN 09-98-16).

**Adjournment**

The meeting was adjourned at 2:12 p.m.

## **BRIEF**

**Information Item**

Agenda Item 1  
November 10-11, 1998

### **COMMITTEE ON FINANCE**

#### **Annual Student Fee Report**

#### **Presentation By**

Richard P. West, Senior Vice Chancellor  
Business and Finance

#### **Summary**

In May 1996 the Board of Trustees approved a comprehensive fee policy framework that applies to all fees charged to students (Executive Order No. 661). One element of the fee policy is that an annual report of student fees be presented to the trustees by the chancellor to allow the board to consider and be informed about the level and range of fees charged to students. This item provides an annual fee report brief, the 1998/99 comparison public institution fee survey, CSU campus mandatory fee adjustments, campus fees eliminated and consolidated in 1998, and CSU resident undergraduate student fees by campus.

## ITEM

2

Agenda Item 1  
November 10-11, 1998

### COMMITTEE ON FINANCE

#### **Annual Student Fee Report**

Fees at the California State University are among the lowest fees for a four-year university in the nation. Average California State University (CSU) fees for resident undergraduate students, including the State University Fee (SUF) and average campus mandatory fees, are \$1,873 for the 1998/99 academic year. The CSU's student fees are nearly 50 percent below the average mandatory fees and tuition charged at comparison public institutions (Attachment A). The 1998/99 average resident undergraduate student fees at the comparison institutions rose to \$3,634, representing a four percent increase. In contrast, CSU's resident undergraduate student fees fell by four percent in 1998/99 due to a reduction in the SUF. In October 1997 the California legislature passed AB 1318 reducing the resident undergraduate SUF by five percent effective with the 1998/99 academic year. The legislature provided funding to restore the loss of CSU's base revenue. Further, the legislature and the governor have provided General Fund support adequate to eliminate the need to increase systemwide fees for the fourth consecutive year. After minimal campus mandatory fee increases, the overall fees for resident undergraduate students remain four percent less than the prior year.

The California legislature recently approved AB 1896 to reduce fees charged to resident graduate students at public universities for the 1999/00 fiscal year by five percent. Currently, a differential exists between CSU resident undergraduate student fees and resident graduate student fees. AB 1896 provides that resident graduate student fee reductions will take effect in 1999/00 only if the legislature appropriates sufficient funds to fully reimburse the public universities.

Executive Order No. 661 covers the following four groups of fees: (1) systemwide mandatory fees; (2) campus mandatory fees; (3) user fees; and (4) penalty fees or deposits. Systemwide mandatory fees include the State University Fee, application fee, and nonresident tuition fee. Campus mandatory fees are fees that must be paid to apply to, enroll in, attend, or graduate from the university or to take a course offered through the state-funded instructional program. User fees are fees paid to receive non-instructional materials, services, or for the use of facilities provided by the university or to enroll in a course offered through a self-support instructional program. Penalty fees or deposits are fees to reimburse the university for additional costs resulting from dishonored payments, late submissions, or misuse of property or as a security or guaranty.

Campus presidents have been delegated authority to *adjust* or *eliminate* user and penalty fees upon consideration by the campus fee advisory committee. Further, campus presidents have been delegated authority to adjust (increase or decrease) campus mandatory fees after consideration by the campus fee advisory committee and completion of a student referendum. The chancellor has authority to *establish new* campus user, penalty, and mandatory fees upon request by the campus president and after consideration by the campus fee advisory committee. To establish new campus mandatory fees, completion of a student referendum is also required. The Board of Trustees maintains the authority to establish and adjust systemwide mandatory fees.

Executive Order No. 661 encourages campus presidents to evaluate existing fees to determine if fees can be consolidated or eliminated. Consolidating and eliminating fees may simplify the administration of fees and enhance the ability of students and their families to plan for the costs of higher education. Several campuses have reported fees that were eliminated and consolidated in 1998 (Attachment B).

Eleven campuses increased campus mandatory fees in 1998/99 and the fee adjustments were consistent with the fee policy. Attachment C lists, by campus, mandatory campus fee adjustments. Attachment D lists by campus the systemwide State University Fee and campus mandatory fees for 1998/99.

Finance 1 • Attachment A, B, C, and D...  
*Refer to Printed Agenda.*

**BRIEF**

**Action Item**

Agenda Item 2  
November 10-11, 1998

**COMMITTEE ON FINANCE**

**Delineating and Consolidating CSU Policy for Financing Activities and a Related Notice of Intent to Change Title 5, California Code of Regulations**

**Presentation By**

Richard P. West, Senior Vice Chancellor  
Business and Finance

**Summary**

This item provides an overview of approval processes for the financing programs that are currently used in the CSU. It requests the trustees to take action to approve a singular financing policy statement that would make appropriate delegations to the chancellor resulting in a more efficient and streamlined trustee approval processes, and to reaffirm certain current approval processes. In addition the item would provide public notice for a needed update to Section 42500 (d), Title 5, the California Code of Regulations.

**Recommended Action**

Approval of the resolution is recommended.

## ITEM

2

Agenda Item 2

November 10-11, 1998

### COMMITTEE ON FINANCE

#### **Delineating and Consolidating CSU Policy for Financing Activities and a Related Notice of Intent to Change Title 5, California Code of Regulations**

##### **Background**

The CSU has utilized several different financing programs to provide many of the physical resources needed to accomplish its mission. Historically the trustees have either approved project financing transactions for various CSU or state/CSU financing programs, or taken action intended to enable some auxiliary organization financings to be qualified as tax-exempt under certain IRS regulations. In many instances, the need to come to the board has been driven by a variety of ministerial tax law requirements. Furthermore, because of the lack of specific policy, a few large auxiliary organization financings have not been subject to direct trustee review.

Because the financing methods available to the trustees have grown over the years and their use continues to play a vital role in the CSU's ability to meet its educational mission, it is felt that a more comprehensive and deliberate review of these programs should be made by the trustees and all related policies of the trustees be brought together in a single policy statement. Some of the concepts proposed in this item are not new and are in place through previous isolated actions of the trustees taken on specific programs or for specific circumstances. In other instances, it is felt that there are several ministerial or routine actions of the trustees that could be efficiently delegated.

This item brings all of the financing decision and approval concepts together in one policy statement. The proposed policy offers a more streamlined approach to handling the financing business of the CSU. It proposes that the trustees review and reaffirm certain levels of financing delegation. Where appropriate for efficiency and streamlining, it proposes that the trustees make new delegations to the chancellor. The proposal also contains delegations to appropriate staff such as the executive vice chancellor, the senior vice chancellor for business and finance, and the director of financing and risk management to assist with expediting the financing processes. A needed change to Title 5, California Code of Regulations to clarify existing practice and lay the appropriate foundation for these actions is also presented for information as part of the plan. If the recommended actions are adopted, the chancellor would issue specific policy directives to campus presidents to clarify campus level responsibility.

Our bond counsel, Orrick, Herrington & Sutcliffe LLP, has reviewed these proposals and has provided suggestions which have been incorporated. The law firm supports the concepts presented here and understands the need to delegate and streamline some of the approval process.

The following sections describe each major financing program or issue, and the proposed action (if any) that will result in a comprehensive policy framework for financing activity in the CSU. The specific policy being proposed related to each of these sections is contained in the resolution.

### **General Obligation Bond Financings**

To date each general obligation bond act providing funds for the CSU contains a provision making the chancellor the representative of the trustees on the respective Higher Education Finance Committee from the California State University. This committee authorizes the actions for the issuance of such general obligation bonds. Therefore no additional action is needed by the trustees to implement the general obligation bond funded projects approved through the budget process.

### **State Public Works Board Financings**

The ultimate administrative responsibility for financings under the state public works board bond program lies with the Department of Finance and the State Treasurer's Office. However, at various times, and depending on what type of interim financing is selected by the State Treasurer, the trustees have been asked to approve the receipt of pooled money investment board interim loans; the execution of site, facility and equipment leases; the construction agreements; to assist in the preparation of the official statement; and to otherwise furnish and assist in providing documents or information to construct, finance and refinance projects approved for the CSU in any state budget act.

Because every project in this program is reviewed and approved by the trustees in the annual Five-Year Capital Improvement Program of the California State University, the trustees previously concluded that a continuous delegation to the chancellor and appropriate staff to review, execute and deliver any and all documents necessary to implement the planned financing is appropriate. The delegation is currently authorized in RFIN 01-94-01. It is now proposed that in order to consolidate like policies, the concept of the delegation be reaffirmed as part of the proposed resolution which is intended to establish a more all-encompassing CSU Policy for Financing Activities.

### **State Equipment Acquisition Financings**

California Education Code Section 89036 authorizes the CSU Board of Trustees to enter into agreements for the furnishing of services, facilities, materials, or equipment. In addition, Section 10295 of the Public Contract Code permits the trustees to enter into these agreements without the approval of the State Department of General Services. This authority is currently delegated to the chancellor under Section 4 of Chapter III of the Trustees' Standing Orders. In turn, the chancellor has delegated authority to each campus president or designee to acquire personal property and services consistent with applicable provisions of The California State University Manual for Contracting and Procurement. This includes the ability to enter into multi-year lease-purchase arrangements for the acquisition of equipment. Currently, the Chancellor's Office provides consultation and assistance to campuses, and reviews and approves all personal property leases involving tax-exempt financed acquisitions. No changes to the current policy are recommended in this item.

### **California State University Bond Act of 1947—Dormitory Revenue Fund Financings**

The ultimate responsibility for financing under the California State University Bond Act of 1947 (the bond act) lies with the Board of Trustees. The bond act specifically requires the Board of Trustees to authorize issuing new bonds for appropriate revenue producing projects consisting of

student housing, student unions, parking facilities, and health center facilities under the auxiliary facilities category. At the present time, all new issues including refinancing bond sales come to the Board of Trustees for review and approval. The board takes a specific action for each one.

While the board may continue to review every transaction, streamlining the process may be something that is warranted in refinancing transactions. In many instances, it would be advantageous for the staff to move rapidly to be able to take advantage of favorable interest rates to produce the largest savings in refinancing transactions. Currently, with the two-month trustee approval cycle, it could take as long as twelve weeks between the time rates become favorable enough to make a refinancing cost effective and the time it takes to bring the issue to market.

The State Treasurer's Office normally requires a net present value savings of 3 percent on any refinancings. Since the CSU is required to use the State Treasurer as the agent for sale on all refinancings, we are required to meet this test as a matter of practice.

Therefore, in order to provide a less onerous process for the trustees and to expedite the refinancing process, the proposed new policy contained in the resolution includes provisions that authorize the chancellor to approve refinancing of bonds issued pursuant to the Bond Act of 1947 when savings can be achieved as determined by the chancellor. Section 2.1 applies to this issue.

### **Auxiliary Organization Financings**

The Education Code and Title 5, California Code of Regulations in part consist of provisions that make it clear the trustees, the chancellor and campus presidents have overall responsibility for the activities that occur in the CSU, including the activities of auxiliary organizations. Auxiliary organizations are required to adhere to applicable CSU policy, directives of the chancellor and policy of the respective campuses as articulated by the campus president. In addition, auxiliary organizations must maintain a good standing status by complying with a set of specific statutory and trustee requirements also contained within these laws.

However, the intent of the legislature in creating provisions for establishing auxiliary organizations clearly encompasses the concept that the trustees should not have responsibility for the liabilities of auxiliary organizations. This was a primary driving force in developing the auxiliary organization concept. Thus it is important to avoid actions that would infer assumption of liability for financing transactions of auxiliary organizations.

The Internal Revenue Code permits tax-exempt financings by certain nonprofit organizations for state and local government units, but only if the governing board of the governmental unit makes certain statements about the financing and the relationship of the nonprofit organization. The tax code does not require the governing board to take financial responsibility for repayment of the debt. Therefore, carefully worded resolutions have frequently been brought before the trustees to assist in qualifying auxiliary organization transactions as tax-exempt, and are crafted in such a way that makes it clear that the trustees are not accepting legal responsibility to repay the debt merely by

approving the transaction. Experience has shown that campuses either do not have or do not always obtain tax/legal advice and direction needed to deal with the complexities of this tax law. Therefore, where action by the trustees is required, the application of tax law must be applied on a consistent basis by competent legal counsel. Some systemwide oversight in this area seems appropriate and is therefore incorporated in this draft policy.

In some instances auxiliary organizations have completed large tax-exempt financings and refinancings using the tax-exempt organization status of other entities such as city redevelopment agencies or joint powers agencies. In those instances, there is no current requirement for the trustees to review the transaction and so these have been accomplished without trustee review or oversight. A more rational policy would be to have large, long-term transactions reviewed by the trustees, and a review for smaller ones delegated to the chancellor and/or campus presidents.

Section 42500 of Title 5 requires auxiliary organizations to notify and consult with the chancellor on real property transactions. This outdated section goes back to a specific real estate acquisition incident in an era when auxiliary financing transactions were rare. This section should be modified to focus the review on borrowings, finance leases and installment purchases and their associated risks rather than focusing on a specific type of transaction, namely those involving real estate. Therefore, a proposed revision to Title 5 as part of the comprehensive policy change is contained as information in Exhibit A. This would enable the trustees to establish additional policies as necessary. Action on the Title 5 change will be scheduled for the January 1999 meeting of the trustees.

To incorporate the concepts proposed above, to create a uniform and streamlined policy and to retain a process consistent with the intent of the statutory provisions for auxiliary organizations, the trustees are being asked to consider the following actions related to auxiliary organizations:

- Begin the process to change Title 5, California Code of Regulations, Section 42500 (d) to restate and clarify the existing practice of auxiliaries issuing debt instruments pursuant to policies of the trustees, authorize the issuance of any additional needed procedures by the chancellor to implement financing policies, and require the review and approval of the campus presidents for such transactions.
- Require that auxiliary organization financing transactions be reviewed by the trustees, with an exception so that smaller, shorter term equipment financings are reviewed at the campus level.
- Provide the chancellor and designated representatives with authority to take the necessary actions on behalf of the trustees to assist auxiliary organizations with financing transactions. The delegation would include assistance to comply with the tax law requirements for tax-exempt transactions. However, apart from the exception for shorter term equipment financings as more fully explained in the next paragraph, action would only be taken by the chancellor and other officers after the transaction has been presented to the trustees at a regular meeting.

The chancellor or designated representatives would also only exercise the delegation on a proposed transaction after a satisfactory staff review had been completed, and appropriate legal advice had been obtained.

- For personal property or equipment financings, the chancellor would plan to delegate authority to the campus president to act for him pursuant to his delegation from the trustees. Therefore, an agenda item for such transactions would not be presented to the trustees and each campus president would need to assure that any tax law requirements are met before acting for the chancellor and the trustees where such action is necessary. Refinancing of personal property or equipment would be included in this process.
- For refinancing transactions where (1) the purpose of the refinancing is solely to generate savings, and (2) it can be demonstrated to the chancellor that savings will be achieved, provide the chancellor or designated representatives with authority to take necessary actions on behalf of the trustees for compliance with tax law. The chancellor or designated representatives would only exercise this authority on a proposed transaction after a satisfactory staff review had been completed, and appropriate legal advice had been obtained.

The diagram in Exhibit B shows in flow chart form how the provisions of this policy for auxiliary organization financings would work.

### **Other Tax Law Requirements for Financing Transactions**

As seen in the previous section, to obtain the benefits of tax-exempt financing, the federal tax law sometimes imposes duties, which can be ministerial in nature. A particularly burdensome provision requires that if a tax-exempt issuer pays project expenses prior to the time it issues bonds and wants to recover those costs in the financing, the tax law requires that before any such expenditures are made the governing board must take an action to confirm that it intends to reimburse itself for the expenditure of the up-front funds from bond proceeds. These expenses would sometimes be paid for initial feasibility studies, environmental studies, and necessary preplanning activities and are usually far in advance of the approval for the sale of bonds which generally occurs about the time construction contracts are awarded. Thus the board must take action on the item twice in some instances.

The authority to make this statement solely for tax law compliance is frequently delegated to the chief executive officer. Our bond counsel, Orrick, Herrington & Sutcliffe LLP, has recommended that such a delegation be put in place. The delegation would not commit the trustees to any borrowing or other future action but would merely preserve the trustees' options to reimburse if and when the trustees authorize a borrowing.

### **Summary**

The proposed policy contained in the resolution is designed to create a reasoned approach to establishing the appropriate level of decision making concerning financing transactions in the CSU, to streamline the processing of approvals saving time for the trustees, to bring all of the financing

issue delegations together in one place and to delegate to the chancellor certain approvals previously exercised by the board.

The following resolution is recommended for approval.

### **CSU Policy for Financing Activities**

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

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

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

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

**WHEREAS**, The Board finds it appropriate and necessary to review significant auxiliary organization financing transactions; and

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

**RESOLVED**, by the Board of Trustees of The California State University as follows:

#### Section 1. State Public Works Board Lease Revenue Financing Program

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

1.2 The chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, and the director of financing and risk management, and each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for and in the name and on behalf of the trustees, to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, any and all construction agreements, equipment agreements, equipment leases, site leases, facility leases and other documents and agreements with such insertions and changes therein as such Authorized Representatives of the Trustees, with the advice of the General Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, in order to provide for the planning, design, acquisition, construction, improvement, financing, and refinancing of the projects.

1.3 All Authorized Representatives of the Trustees are authorized and directed, for and in the name and on behalf of the Trustees, to do any and all things, take any and all actions and execute and deliver any and all certificates, agreements and documents which they, or any of them, may deem necessary or advisable in order to facilitate any interim loan of the Board and the lawful issuance and delivery of the obligations of the Board.

## Section 2. California State University Bond Act of 1947 Financing Program

2.1 The chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, and the director of financing and risk management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized and directed, for and in the name and on behalf of the trustees, to take any and all actions necessary to refinance any existing bonds issued pursuant to the Bond Act of 1947 if the refinancing transaction will result in net present value savings, as determined by an Authorized Representative of the Trustees and which determination shall be final and conclusive. Authorized Representatives of the Trustees are authorized to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, all bond resolutions, official statements and all other documents, certificates, agreements and information necessary to accomplish such refinancing transactions.

## Section 3. Auxiliary Organization Debt Issuance Programs

3.1 Title 5, California Code of Regulations, Section 42500 (d) is being amended to restate and make it clear that auxiliary organizations may issue debt instruments to finance or refinance projects. For purposes of this section, "debt instruments" means, loans, notes, bonds, finance leases, installment purchase or sale agreements, and certificates of participation.

3.2 The chancellor shall provide the Trustees with information prior to auxiliary organizations issuing debt instruments except for certain transactions as further described in this section. Upon the Trustees being provided with information about the transaction, the chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, and the director of financing and risk management, and each of them (collectively, "Authorized Representatives of the Trustees") may execute documents, attest to statements of fact and take all actions necessary on behalf of the Trustees to approve the financing and to assist the recognized auxiliary organization to complete and to qualify such financing transactions as tax-exempt, unless one or more of the Trustees ask that the transaction be held for further review.

3.3 For auxiliary organization transactions that are only for the purpose of refinancing existing debt on real property projects, a special processing rule may apply. If the chancellor determines that (1) the primary purpose for such a refinancing is to produce net debt service savings and (2) the structure of the refinancing will result in net debt service savings, then the chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, the director of financing and risk management, and each of them, without special notice to the Trustees, may execute documents, attest to statements of fact, and take all actions necessary on behalf of the Trustees to approve the refinancing and to assist any recognized auxiliary organization to complete and to qualify the refinancing transaction as tax-exempt. If the primary purpose of the refinancing transaction as determined by the chancellor, is for reasons other than to produce net debt service savings or the structure does not result in net debt service savings, then the transaction is subject to the procedures described in Section 3.2.

3.4 The chancellor shall require campus presidents to establish campus procedures applicable to campus auxiliary organizations for the issuance of debt instruments to finance or to refinance personal property with lease-purchase or other tax-exempt financing methods. The procedures issued by the chancellor need not contain a requirement for presentation of such financings to the Trustees. Campus presidents shall be authorized to take all actions to assist the auxiliary organization on behalf of the Trustees to complete and qualify such financing transactions as tax-exempt.

3.5 The delegations conferred by the subsections of this resolution are limited and do not authorize the chancellor or other Authorized Representatives of the Trustees to establish any indebtedness of the State of California, the Board of Trustees, any CSU campus, or any officers or employees of any of them. Lending or pledging the credit of any of these entities is not intended or authorized by this resolution.

#### Section 4. Tax Law Requirement for Reimbursement of Project Costs

4.1 For those projects which may be financed under the authority of the Trustees, the chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, and the director of financing and risk management, and each of them

(collectively, “Authorized Representatives of the Trustees”), are hereby authorized to make declarations on behalf of the Trustees solely for the purposes of establishing compliance with the requirements of Section 1.150-2 of the U.S. Treasury Regulations; provided, however that any such declaration:

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

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

#### Section 5. Effective Date and Implementation

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

5.2 This resolution supercedes RFIN 01-94-01 and shall take effect immediately.

**Proposed change in the California Code of Regulations**

**Title 5**

**42500**

- (e) ~~Auxiliary organizations may not enter into any contract or other business arrangement involving real property, without prior approval of the campus president, and without prior notification and consultation with the Office of the Chancellor.~~
- (c) Auxiliary organizations may issue debt instruments to finance or refinance projects in connection with their mission upon prior approval of the campus president and pursuant to policies of the Board of Trustees as may be implemented by the Chancellor. For purposes of this section, “debt instruments” means loans, notes, bonds, finance leases, installment purchase or sale agreements and certificates of participation.

[Deletion of present text is shown by strikeover; addition of text is shown by underscore.]

EXHIBIT B  
Fin.—Item 2  
November 10-11, 1998

Finance 2 • Exhibit B...  
*Refer to Printed Agenda.*

**BRIEF**

**Action Item**

Agenda Item 3  
November 10-11, 1998

**COMMITTEE ON FINANCE**

**Authorize the Issuance and Sale of the San Diego State University Parking System Revenue Bonds, Series A, and Related Matters**

**Presentation By**

Richard P. West, Senior Vice Chancellor  
Business and Finance

**Summary**

This agenda item requests the Board of Trustees to adopt a resolution to issue and sell San Diego State University Parking System Revenue Bonds, Series A, in an aggregate principal amount not to exceed \$13,775,000 for the construction of a multi-level parking structure at San Diego State University.

**Recommended Action**

Adoption of the proposed resolution.

## ITEM

2

Agenda Item 3

November 10-11, 1998

### COMMITTEE ON FINANCE

#### **Authorize the Issuance and Sale of the San Diego State University Parking System Revenue Bonds, Series A, and Related Matters**

##### **Project Summary**

This agenda item requests the Board of Trustees to adopt a resolution for the financing of a multi-level parking structure (parking structure 5), sports deck, and related improvements. The project will accommodate from 1,100 to 1,500 new parking spaces; a new athletic track and soccer field to be located on the top deck of the parking structure (sports deck); ancillary parking and building storage facilities; and related pedestrian, traffic, and utility improvements. The project site is approximately 6.5 acres and is located on the present AzTrack site, an existing track and soccer field area west of 55<sup>th</sup> Street and north of Montezuma Road in the southwest quadrant of the campus.

During the September 15-16, 1998, Board of Trustees' meeting for the Committee on Campus Planning, Buildings and Grounds, the trustees approved the campus master plan revision for the campus and certified a Final Environmental Impact Report.

##### **Student Union Revenue Bonds of the Board of Trustees**

In July 1995, based on the recommendation of a systemwide task force, the parking system was decentralized, providing each campus direct financial responsibility for supporting its own parking program. As part of the decentralization process, the remaining balance of systemwide bonds was paid off. In an effort to continue with the intent of the decentralization of the parking program, the Board of Trustees is now being asked to issue bonds for the San Diego project which will be secured solely by parking fee revenue collected at San Diego State University and not by the CSU parking system revenues from other campuses. This is similar to the current program for student union bonds.

Pursuant to the State University Bond Act of 1947, the parking revenue bonds will be issued through the same processes and in a manner similar to the housing and student union bonds programs. In determining the not to exceed par value of \$13,775,000, factors such as the anticipation of obtaining bond insurance and investment grade bond ratings were considered. When the project is completed in fiscal year 2000/01, parking fees for the parking revenue bond program at the university are expected to generate a coverage ratio of 1.71 times annual net revenue to estimated maximum annual debt service on the campus parking bonds.

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

1. Authorize the sale and issuance of the San Diego State University Parking System Revenue Bonds, Series A, in an amount not to exceed \$13,775,000 and certain actions relating thereto

including the approval of the forms of the Indenture and Notice of Sale as presented to the board at this meeting.

2. Approve the form of the official statement prepared by Sutter Securities, financial advisor, and presented to the board at this meeting.
3. Provide a delegation to authorize the chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, and the director of financing and risk management to take any and all necessary actions to execute documents for the sale and issuance of the bonds.

The resolution being prepared by bond counsel and the forms of the official statement, indenture, and notice of sale will be distributed at this meeting and presented for approval.

## **BRIEF**

**Action Item**

Agenda Item 4  
November 10-11, 1998

### **COMMITTEE ON FINANCE**

#### **Private Sector Participation in the Development of The Village at Centennial Square at San Francisco State University**

##### **Presentation By**

Robert Corrigan, President  
San Francisco State University

Richard P. West, Senior Vice Chancellor  
Business and Finance

##### **Summary**

San Francisco State University (SFSU) is proposing to enter into a public/private partnership for the construction of The Village at Centennial Square, a mixed-use project to include on-campus apartments, a new student services building, and off-street parking. The project will also include the demolition of a vacant student residence hall damaged during the Loma Prieta earthquake. The Village would provide needed student housing on campus as well as an opportunity to improve the delivery of student services by consolidating all student services offices in one campus location. The campus believes that the project could be developed in a more timely manner and at much lower cost under a public/private partnership.

This agenda item requests the Board of Trustees to review and approve a concept plan for the public/private partnership venture and to authorize the project to proceed with the understanding that additional information will be presented to the board at key points in the process.

##### **Recommended Action**

Approval of the resolution.

## ITEM

2

Agenda Item 4

November 10-11, 1998

### COMMITTEE ON FINANCE

#### **Private Sector Participation in the Development of The Village at Centennial Square at San Francisco State University.**

San Francisco State University (SFSU) is proposing to enter into a public/private partnership, through the Request for Qualification/Request for Proposal (RFQ/RFP) process, for the construction of The Village at Centennial Square, a mixed-use project to include on-campus apartments, a new student services building, and off-street parking. The project will also consist of the demolition of a vacant student residence hall damaged during the Loma Prieta earthquake. The Village, proposed to be built on the 3.7 acre campus site of the old Corporate Yard and Parking Lot 8, would provide needed student housing on campus as well as an opportunity to improve the delivery of student services by consolidating all student services offices in one campus location. It is envisioned that the project would be primarily funded from the issuance of tax-exempt non-recourse bonds by the campus foundation payable from project revenues and secured with developer construction and rent guarantees. This would be supplemented by a developer contribution and funds to be received from a settlement with the Federal Emergency Management Agency (FEMA) on the damaged student residence hall.

#### **Benefits to the San Francisco State University Campus**

San Francisco State University is proud to offer an exceptional on-campus living community. The students and priorities of the residence community reflect the diversity of the overall university population and experience, creating a true living-learning environment within the residence halls and campus apartments. Nationwide studies have found that resident students, as opposed to commuters, tend to have higher grade point averages, higher retention and graduation rates, and stronger, more meaningful interactions with faculty and other members of the university community.

#### *The Residential Advantage*

- Better access to classes, faculty, library and campus events
- Easy participation in campus activities and programs
- Involvement in a variety of resident community activities
- Easy access to study groups, academic tutorials, and support services
- Convenient and cost efficient housing and food services
- Multicultural learning and support groups
- Student leadership opportunities
- Participation in residence government and orientation programs
- Workshops on health, safety, study, and communication skills (and more)
- 24-hour computer laboratory with both Macintosh and Intel PC computers, Ethernet network connections in each room—one for every resident living in the Housing Community
- Fully furnished social and study lounges
- Enhanced building security with 24-hour staffed reception desks in each building
- Accommodations for students with disabilities

Currently, the San Francisco Bay Area rental housing market is very strong, with the average vacancy rate estimated at less than three percent. As a result, apartment rents have increased dramatically over the past several years. Rising housing costs have had a particular impact on university students who have limited incomes and a need to live close to campus.

### *The Student Services Advantage*

This project would provide approximately 50,000 square feet of office space, bringing together in one contiguous space all student services-related functions under the Vice President for Student Affairs.

- Vice President for Student Affairs Office
- Associate Vice President for Student Affairs Office
- CEASE Program
- Student Outreach Services
- Financial Aid
- Enrollment Services (Admissions and Records)
- Educational Opportunity Program
- Career Center
- Counseling and Psychological Services
- Disability Resource Center
- TRIO Program
- SAFE Place

SFSU is committed to the One-Stop service philosophy for its students. Currently, facility constraints on campus prevent full implementation of the One-Stop student service concept. A student affairs building located near existing student housing and parking will provide an opportunity to accomplish this important goal.

### **The Village at Centennial Square**

The development project consists of two major elements: the demolition of Verducci Hall and the construction of The Village at Centennial Square, a mixed-use project including new on-campus apartments, a student services building, and off-street parking (approximately 180 to 200 spaces). Specifically, it is envisioned as 763-bed new residence apartments, a 50,000 square foot student services building, parking garage, Verducci Hall demolition, appropriate project infrastructure and landscaping, and furniture and fixtures.

### *Demolition of Verducci Hall / Construction of New Apartments*

Verducci Hall is a 15-story, 763-bed residence hall that was built in 1970 and has been vacant since the Loma Prieta earthquake. It is expected that its demolition will also require abatement of lead paint. There has recently surfaced a great demand for affordable on-campus student housing (exacerbated by the closing of Verducci Hall) and the campus is striving to meet that need. It has taken almost a decade to reach a settlement with FEMA, and the campus desires to apply the funds toward a new apartment complex constructed with a private sector partner.

The proposed new apartments are envisioned to house approximately 763 students. The project will be five to six stories, over parking, and consist of two- and three-bedroom (double and single occupancy) furnished units. Each room is expected to be connected to the campus computer system, Network 21. Each student will have individual access to at least one dataport and one fax/modem telephone line. Once completed, the apartments are expected to be managed by a third-party entity rather than SFSU's housing department. The property management company will have experience related to special needs housing, i.e., student or affordable housing. SFSU will emphasize that this is not a typical market-rate housing project, and unique skills are required to manage a residential student community. The campus wishes to have the apartments completed and available for occupancy by August 2000.

### *Student Services Building*

This 50,000-square-foot facility is expected to house a wide variety of supportive services for students. Approximately 250 to 300 employees will be located in the student services facility. In addition, approximately 5,000 to 10,000 square feet of building space will be built-out shell space and set aside for commercial/mixed-use. The project is expected to include 180 to 200 parking spaces. Gas, water, and sewer will be provided by the appropriate utility company. Electricity and thermal energy are proposed to be provided to the off-campus grid and sold by SFSU at the prevailing market rates. The developer will provide the point of connection to the electrical grid.

This new construction will provide San Francisco State University with a showcase, state-of-the-art complex that replaces the on-campus housing units lost with the demolition of Verducci Hall and provides a new One Stop Student Services Building.

### **Development Procedure**

On October 5, 1998, San Francisco State University issued a Request for Qualifications to all interested parties for the selection of a developer. Qualifications of respondents will be based upon pre-determined criteria by a University and SFSU Foundation evaluation team. A Request for Proposals will be issued to qualified respondents subsequent to the trustee review and approval of concept plan to enter into a public/private partnership venture. The developer proposals will be evaluated by a University/Foundation Committee with the determinations to be made for the "Best Value" to the University/Foundation. Final selection of the development team is expected by February 1999. The campus expects to return at a later meeting of the trustees for approval of its negotiated development program.

Title to the proposed 3.7-acre campus site will continue to be held by the state of California for use of the California State University. SFSU will enter into a long-term ground lease for the site with the San Francisco State University Foundation (SFSUF), a recognized CSU auxiliary organization. In turn, the SFSUF would contract with the developer via a developer agreement for construction of The Village at Centennial Square, to be located at the old Corporate Yard and Parking Lot 8.

### **Fiscal Benefits to San Francisco State University**

It is envisioned that the selected developer will demolish Verducci Hall, relocate the cogenerator, develop the new apartments and a student services building, make a financial contribution to the project, and provide construction and rent guarantees.

In turn, it is proposed that the project be primarily funded from the issuance of tax-exempt non recourse bonds by the SFSUF payable from project revenues and secured with developer rent-up guarantees. These funds would be supplemented by the FEMA settlement on the residence hall and the expected developer contribution.

The selected developer would share in the project revenues via a developer agreement, in consideration for financial contribution to the project, and the construction and rent-up guarantees. The campus and the foundation have a strong preference for this approach given that the rent guarantees would cover revenue short falls for bond payments and significantly reduce bond interest rate.

The current plan is for SFSU to have use of the new student services building during the term of the leases at minimal or no cost, and receive title at the termination of the leases. The term of the leases are expected to be for a term appropriate to the proposed use and based on market conditions, estimated not to exceed 40 years. The fee ownership will not be subordinated.

### **Other Information**

The housing phase of this project is expected to have a peer review by the CSU Housing Proposal Review Committee. This committee, chaired by a campus president, and consisting of one Vice President for Administration/Business Affairs, one Vice President for Student Services, and two Chief Housing Officers, has been created to review proposed housing projects. This committee is charged with reviewing the feasibility of such projects and advising the campus presidents and the chancellor whether or not to proceed with a proposed project. In addition, auxiliary organization student housing projects are included in such reviews due to the possible implications to other campus student housing programs.

At the July 14-15, 1998, Board of Trustees' meeting, the trustees approved a resolution enabling the San Francisco State Foundation to borrow \$2.0 million on a tax-exempt basis to renovate and remodel the old Corporate Yard. This proposed renovation of the Corporate Yard project has been folded into this larger development. The foundation will not be issuing the previously approved \$2.0 million, but may instead, if required and if need is confirmed, return to the trustees at a later time for approval of financing related to this new project.

### **Summary**

This request to the trustees provides a comprehensive summary of the plans that will allow San Francisco State University and San Francisco State University Foundation, Inc., with the

assistance of the private sector, to develop a true One-Stop shop for student services. The program will be implemented through working agreements with a developer that could bring the best value to the campus.

The following resolution is recommended for approval:

**RESOLVED**, By the Board of Trustees of The California State University, that the trustees:

1. Support the concept of a public/private partnership for the construction of The Village at Centennial Square, a mixed-use project to include on-campus apartments, a new student services building, and off-street parking as described in this agenda item.
2. Confirm the chancellor's authority to enter into negotiations and such agreements as necessary to initiate the process for specific development programs to be considered by the campus, Office of the Chancellor, and the Board of Trustees.
3. Will consider the following action items for approval at appropriate times during the development process:
  - (a) Specific development program(s) negotiated by the campus and the developer, with the advice of the chancellor;
  - (b) Master Plan revisions, as needed;
  - (c) Proposed schematic plans; and
  - (d) Environmental documents for all facilities.

## **BRIEF**

**Action Item**

Agenda Item 5  
November 10-11, 1998

### **COMMITTEE ON FINANCE**

#### **Approval of an Auxiliary Organization Tax-Exempt Financing at San Jose State University**

##### **Presentation By**

Richard P. West, Senior Vice Chancellor  
Business and Finance

##### **Summary**

This agenda item requests the Board of Trustees to adopt a resolution enabling a recognized auxiliary organization of the California State University to borrow funds on a tax-exempt basis to finance a portion of the cost of constructing a new Child Development Center building for the San Jose State University campus.

The financing transaction will not create any obligation of the state of California or the trustees. The bonds will be issued by the San Jose State University Foundation pursuant to an indenture of trust entered into by the foundation and a bank serving as trustee for the bonds. The bonds are limited obligations of the foundation payable primarily from loan repayments made by the campus Associated Students, Inc. (ASI) and Spartan Shops, Inc. (both also recognized auxiliary organizations of the California State University) under a loan agreement entered into between the foundation, ASI, and Spartan Shops.

##### **Recommended Action**

Approval of the proposed resolution.

## ITEM

2

Agenda Item 5

November 10-11, 1998

### COMMITTEE ON FINANCE

#### **Approval of an Auxiliary Organization Tax-Exempt Financing at San Jose State University**

##### **Background**

This agenda item requests the Board of Trustees to adopt a resolution enabling a recognized auxiliary organization in good standing, the San Jose State University Foundation, to issue tax-exempt bonds, in an amount not to exceed \$2,500,000 to finance part of the cost of constructing a new child development center for the campus.

The new child development center will be a 11,500 GSF one-story structure to be located one-half block away from the campus on property purchased by the ASI from the university foundation in the spring of 1998. Construction is slab on grade and wood frame with a build up roofing system. The current campus child center, originally intended as a temporary location, is located two blocks away at St. Paul's Methodist Church and currently maintains a long waiting list for the sixty spaces available. The new center will meet the growing need for developmentally appropriate, affordable, and convenient childcare for the San Jose campus by providing services to one hundred infants, toddlers, preschoolers, and kindergarten children. In addition to providing childcare, the new center to be operated by the ASI will also be utilized as a resource center and training site for students in various disciplines, parent education, and staff development.

The total cost of the project is expected to be \$3,500,000, of which the trustees are being requested to approve the issuance of bonds on a tax-exempt basis in an amount not to exceed \$2,500,000. The difference in the cost of construction will come from accumulated student fee revenues generated since October 1993 when students voted to increase their fees to support the construction and operation of a new child development center. Bid opening on the project is scheduled for the early part of December 1998. The ASI has an additional \$500,000 in accumulated revenues that it may elect to utilize in the event that construction bids come in at higher than expected or it may elect to rebid the project.

The bonds will be issued by the San Jose State University Foundation pursuant to an indenture entered into by the foundation and a bank serving as trustee for the bonds. The bonds are limited obligations of the foundation payable solely from loan repayments made by ASI and Spartan Shops under a loan agreement entered into between the foundation, ASI, and Spartan Shops, proceeds of the bonds (such as the reserve fund or capitalized interest on the bonds), and certain other amounts under the indenture. The obligation to make payments under the loan agreement would be a joint and several general corporate obligation of both the ASI and Spartan Shops. The loan agreement would also set forth the various financial covenants of the ASI and Spartan Shops required to obtain a rating and/or bond insurance for the bonds. The foundation's rights to receive payments under the loan agreement would be assigned to the bond trustee to make payments of debt service on the bonds, and the foundation will not be obligated to pay the bonds except from amounts received from the ASI and Spartan Shops. ASI will use revenue from the student body association fee for the

Child Development Center to make loan payments to the foundation. As security for the repayment of the principal of, a bond repayment premium, if any, and interest on the bonds, both the ASI and Spartan Shops will grant the foundation a security interest in their revenues.

The following resolution is recommended for adoption:

**WHEREAS**, The San Jose State University Foundation (the “Foundation”) is organized under the Nonprofit Public Benefit Corporation Law of the State of California and the articles of incorporation of the Foundation provide that it is not organized for profit; and

**WHEREAS**, The Foundation is an auxiliary organization of the California State University and is authorized to act pursuant to California Education Code Section 89900 et seq.; and

**WHEREAS**, The articles of incorporation of the Foundation provide that the income will not inure to the benefit of any private person; and

**WHEREAS**, The Foundation desires to issue bonds (the “Bonds”) on behalf of the Board of Trustees of the California State University (the “Board”) to acquire, construct, and equip a new Child Development Center of approximately 11,500 gross square feet (the “Project”) situated one-half block away from the campus on property purchased by the ASI; and

**WHEREAS**, The bonds are limited obligations of the Foundation payable solely from loan repayments made by ASI and Spartan Shops, Inc. (the “Corporation”) under a loan agreement entered into among the Foundation, ASI, and the Corporation, proceeds of the bonds, and certain other amounts under the indenture; and

**WHEREAS**, The Foundation’s rights to receive payments under the loan agreement would be assigned to the Bond trustee to make payments of debt service on the Bonds, and the Foundation will not be obligated to pay the Bonds except from amounts received from the ASI and the Corporation; and

**WHEREAS**, As security for the repayment of the principal of, premium, if any, and interest on the Bonds, both the ASI and the Corporation will grant the Foundation a security interest in their revenues; and

**WHEREAS**, The Board of Trustees has determined that it is desirable to assist in the acquisition and financing of the Project with the proceeds of the Bonds; now, therefore, be it

**RESOLVED**, By the Board of Trustees of The California State University as follows:

**Section 1.** The Board of Trustees hereby approves the purposes and activities of the Foundation.

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**Section 2.** The issuance of Bonds by the Foundation in an aggregate principal amount not to exceed two million five hundred thousand dollars (\$2,500,000) and the proposed form of the Bonds to be issued by the Foundation solely on behalf of the Board, as presented to the Board and on file with the Secretary, is hereby approved, provided that this resolution shall not constitute or authorize an obligation of the State of California, the Board of Trustees of the California State University, San Jose State University, or any officers or employees of any of these entities, and no lending or pledging of the credit of any of these entities is intended or authorized by this resolution.

**Section 3.** The property to be financed by the Bonds is hereby determined to be located within the geographic boundaries of the Board and has a substantial connection with the Board.

**Section 4.** The chancellor, the executive vice chancellor, and the senior vice chancellor for business and finance and the director of financing and risk management, and each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for in the name and on the behalf of the Board of Trustees, to take any and all actions and execute and deliver any and all certificates, agreements, and documents which they, or any of them, may deem necessary or advisable in order to facilitate the approval of the issuance of the Bonds by the Foundation as described in Section 1 hereof.

**Section 5.** This resolution shall take effect immediately upon its adoption.

## **BRIEF**

**Action Item**

Agenda Item 6  
November 10-11, 1998

### **COMMITTEE ON FINANCE**

#### **Private Sector Participation in the Development of a Marine Environmental Resources Building at California Maritime Academy**

##### **Presentation By**

Jerry A. Aspland, President  
California Maritime Academy

Richard P. West, Senior Vice Chancellor  
Business and Finance

##### **Summary**

The California Maritime Academy (CMA) is proposing to seek private sector participation to design, finance, construct, and operate a 25,000-square-foot marine environmental resources structure on academy grounds. The Marine Environmental Resources Building, estimated to cost approximately \$7.7 million, will provide leased space for offices, and special needs space for the U.S. Coast Guard, State Lands Commission, the State Department of Fish & Game/Office of Oil Spill Prevention and Response, and the California Maritime Academy. The project will serve to advance and enhance the educational mission of the academy, emphasize the environmental concerns of waterways by higher education, and serve to establish the academy as an educational resource within Solano County and with agencies that will conduct business activities in the proposed new facility.

The trustees are being asked to review and approve the concept of utilizing the private sector to design, finance, construct, and operate a joint-use facility at the California Maritime Academy and to authorize the project to proceed with the understanding that additional information will be presented to the board at key points in the process.

##### **Recommended Action**

Approval of the resolution.

## ITEM

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Agenda Item 6  
November 10-11, 1998

### COMMITTEE ON FINANCE

#### **Private Sector Participation in the Development of a Marine Environmental Resources Building at California Maritime Academy**

##### **Background**

The California Maritime Academy is proposing to seek through a Request for Qualification/Request for Proposal (RFQ/RFP) process, private sector participation to design, finance, construct, and operate a 25,000-square-foot marine environmental resources structure on academy grounds. The Marine Environmental Resources Building will provide leased space for offices, and special needs space for the U.S. Coast Guard, State Lands Commission, the State Department of Fish & Game/Office of Oil Spill Prevention and Response, and the California Maritime Academy.

In keeping with the mission and educational purposes of the academy, it is desirable that government and state marine related activities be brought together in a common facility. The identified possible tenants share the common interest in assuring state waterways remain pure and free of contaminants. Significant opportunities will be gained from maximizing existing resources and minimizing any possible overlaps in costs and services. Meetings have been held with representatives of the various agencies that will lease space in the new facility to identify individual square footage requirements. In addition, each participant has been asked to make a firm long-term commitment to lease space in the new facility, pending the successful selection of a developer and a sound development model.

##### **Proposed Facility**

The facility is envisioned as a two- or three-story building that will conform to the hillside terrain. The preliminary cost of the building is estimated at approximately \$7.7 million using basic structure and other related costs standard formulas. The proposed four-acre construction site is located within the academy grounds, bounded to the south by the Carquinez Strait and to the east by right-of-way property owned by the state of California. Each tenant will occupy approximately 5,000 square feet of floor space, with shared use of some space such as conference rooms, restroom facilities, and employee lunch areas. In particular, the new facility will provide administrative offices, field operations facilities, emergency control centers, and sleeping and eating facilities for on-duty Coast Guard personnel and laboratory facilities for some of the other tenants. Final determination of facility design will be made as a result of negotiations between the developer and the university.

##### **Development Procedure**

The California Maritime Academy has issued a Request for Qualifications to all interested parties and will have selected finalists to receive and respond to an RFP to construct the joint-use facility by the time of this trustee meeting. This process will have included soliciting and reviewing written qualifications and proposed development programs from interested private developers in accordance with information and criteria prepared by the academy based on its needs and the identified requirements of the other tenants. Qualified developers will prepare appropriate site plans, conceptual building designs and identify funding approaches for the project for consideration at a future meeting of the trustees.

Following the RFP review and presentations by selected developers, an exclusive negotiating agreement will be entered into with the finalist and the California State University, subsequent to trustee review and approval of the private sector concept. The campus expects to return at a later meeting of the trustees for approval of its negotiated development program.

While title to the property will continue to be held by the state of California for use of the California State University, private development is possible using a long-term ground lease with a recognized CSU auxiliary organization. In turn, the long-term leasehold interest will be transferred to the selected developer in order to develop the property through a long-term ground sub-lease with the California Maritime Academy Foundation, a recognized CSU auxiliary organization. The ground leases will be tailored to meet the needs and best interest of California State University, California Maritime Academy, and the developer.

### **Fiscal Benefits to the California Maritime Academy**

Developers will be asked to include a project team arrangement that includes design, construction, financing and operation of a facility fully built-out to tenant specifications. Specifically, they will be requested to offer leasing options to tenants on a cost per square footage basis over optional time periods. As a result, the duration of the lease is unknown at this time, but it is envisioned that it will be structured for such a period to allow an affordable cost per square footage to tenants.

Developers will be also asked to include the option for CMA to receive rent free space within the Marine Environmental Resources Building as an element of consideration for the long-term lease of the campus property. No costs are expected by the academy, other than utilities for space occupied. Each of the tenants will be responsible for its own maintenance and utility costs. In part, development of the property is also intended to provide CMA the potential opportunity to create a revenue stream for the institution once the developer's cost has been resolved. Such revenue could eventually be used to fund other campus improvements.

Upon termination of the lease with the developer, the university will have the right to assume ownership of the facilities and structures developed as part of the agreement or to demand that the facilities and structures be removed and the area returned to its original condition. The lease price and/or other considerations to be paid by the developer under the ground lease will be at fair market value and may be offset by benefits accruing to the academy.

### **Summary**

This proposal establishes a program that allows the California Maritime Academy to develop approximately four acres located on the southern edge of its property for the purpose of improving the educational mission of the academy. In keeping with the mission and educational purposes of the academy, it is desirable that government and state marine related activities be brought together in a common facility through a partnership with a private developer to design, finance, construct, and operate a joint-use facility for the benefit of the California Maritime Academy.

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This project will serve to advance and enhance the educational mission of the academy, emphasize the environmental concerns of waterways by higher education, and serve to establish the academy as an educational resource within Solano County and with agencies that will conduct business activities in the proposed new facility.

The following resolution is recommended for approval:

**RESOLVED**, By the Board of Trustees of The California State University, that the trustees:

1. Support the concept of utilizing the private sector to design, finance, construct, and operate a joint-use facility at the California Maritime Academy as described in this agenda item and authorize the project to proceed with the understanding that additional information will be presented to the board at key points in the process.
2. Confirm the chancellor's authority to enter into negotiations and such agreements as necessary to initiate the process for specific development programs to be considered by the campus, Office of the Chancellor, and the Board of Trustees; and
3. Will consider the following action items for approval at appropriate times during the development process:
  - (a) Specific development program(s) negotiated by the campus and the developer, with the advice of the chancellor;
  - (b) Proposed schematics plans; and
  - (c) Environmental documents for the facility.

## **BRIEF**

**Action Item**

Agenda Item 7  
November 10-11, 1998

### **COMMITTEE ON FINANCE**

#### **Private Sector Participation in the Development of a 150-Acre Vineyard at California Polytechnic State University, San Luis Obispo**

##### **Presentation By**

Warren J. Baker, President  
California Polytechnic State University, San Luis Obispo

Richard P. West, Senior Vice Chancellor  
Business and Finance

##### **Summary**

California Polytechnic State University is proposing to enter into an educational partnership with a private partner to develop 150 acres of campus-owned agricultural land into a wine grape vineyard to provide educational facilities that will replicate industry standards and size. The proposed term of the partnership is twenty-five years after which all improvements will vest to the trustees. This project will provide students and faculty with practical knowledge and realistic experiences that will better prepare them to enter into the industry workforce. The educational partnership will serve to enhance the educational mission of the university and will address a growing need for university graduates in all facets of the wine grape industry. The vineyard facility will also serve as an educational resource within San Luis Obispo County and provide for the state's and county's growing wine grape industry.

The trustees are being asked to review and approve the concept of utilizing the private sector to develop, finance, construct, maintain, and operate a joint-use facility at California Polytechnic State University, San Luis Obispo and to authorize the chancellor to be given the authority to enter into agreements that will facilitate the development of the project.

##### **Recommended Action**

Approval of the resolution.

## ITEM

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Agenda Item 7

November 10-11, 1998

### COMMITTEE ON FINANCE

#### **Private Sector Participation in the Development of a 150-Acre Vineyard at California Polytechnic State University, San Luis Obispo**

##### **Background**

California Polytechnic State University, San Luis Obispo is proposing to enter into an educational partnership with the private sector to develop 150 acres of existing university agricultural land into a vineyard that will provide educational facilities of industry standard and size. This partnership will enable the university to establish a more comprehensive and inter-disciplinary hands-on program related to the cultivation of wine grapes and the production and marketing of wine. The dramatic growth in California's wine industry, particularly within Cal Poly's service area, has produced an increased need for full-time employees with baccalaureate and master's-level training, and skilled employees with experiences related to the commercial cultivation of grapes and commercial production and marketing of wines. In addition, the campus will pursue the possibility of sharing in some of the revenues generated from the project.

##### **Proposed Facility**

Through an educational partnership agreement, a private sector partner will develop, manage, maintain, and operate a state-of-the-art vineyard on 150 acres of university agricultural land. The facility will be operated using modern vineyard management principles and practices and will serve as a laboratory for instruction and applied research, while still functioning as an industry viticulture operation. The university will provide a sufficient supply of agriculture water for irrigation of the site while all other resources for the development, operation, and maintenance of the vineyard will be provided by the private partner.

##### **Educational Benefits**

The large-scale state-of-the-art vineyard on the Cal Poly campus will serve as an educational laboratory for students and faculty and will provide students with an opportunity to apply the knowledge learned in the classroom. The vineyard will serve as an invaluable laboratory resource for existing courses in a number of disciplines, including food science, soil science, agricultural engineering, agri-business, and crop science. As a unique laboratory resource, the vineyard will also permit and encourage development of new special topics courses and seminars. The vineyard operations are also expected to create opportunities for field experiences through internships, senior projects, and M.S. theses. Through these experiences students will have an opportunity to develop competencies in key skill areas in demand by industry, especially management, viticulture, integrated pest management, production and scientific principles/methods. Faculty will have an opportunity to engage in applied research and provide the state and local wine grape industry with valuable information.

## **Development**

The vineyard facility will be developed over a three-year period, standard for a facility of this nature, after which it will be in a sustained operations stage. The development of the vineyard site will be made possible using a long-term ground lease with a recognized CSU auxiliary organization for a term of approximately twenty-five years. In turn, the partner will be licensed to access, operate and otherwise use the sites for the development, management, and maintenance of a state-of-the-art vineyard of commercial scale that, through its operation, will also serve as an educational laboratory for the university. The private sector partner will provide the resources to improve the existing agricultural land into a joint-use facility which will vest with the trustees at the end of the partnership.

## **Summary**

This proposal seeks to establish an educational partnership with a private sector partner to develop approximately 150 acres of existing university agricultural land for the purpose of enhancing the university's academic program and educational facilities. This proposal will provide the university with a vast array of industry-leading resources that will assist students in acquiring industry relevant competencies and better prepare them for entry into the industry's workforce. The university, with existing resources, is unable to develop, operate, or maintain an educational facility of this nature without the financial and personnel assistance of a private sector partner.

The following resolution is recommended for approval:

**RESOLVED**, By the Board of Trustees of The California State University, that the trustees:

1. Support the concept of California Polytechnic State University, San Luis Obispo to utilize the private sector to develop, manage, and maintain 150 acres of campus-owned agricultural land for a wine grape vineyard to provide educational facilities that will replicate industry standards and size as described in this agenda item.
2. Confirm the chancellor's authority to enter into negotiations and such agreements as necessary to initiate the process for specific development programs to be considered by the campus, Office of the Chancellor, and the Board of Trustees.
3. Will consider the following action items for approval at appropriate times during the development process:
  - (a) Specific development program(s) negotiated by the campus and the specific developer, with the advice of the chancellor;
  - (b) Master Plan revisions, as needed;
  - (c) Proposed schematic plans, as needed; and
  - (d) Environmental documents for all facilities, as needed.