### **MINUTES OF MEETING OF CSU INSTITUTE BOARD**

Chancellor's Office 401 Golden Shore, 6<sup>th</sup> Floor, Rm. 639 Long Beach, CA

> October 6, 2014 10:15 am – 10:30 am

### **Board Directors Present**

- 1. Timothy P. White, Chair
- 2. Steve W. Relyea, Treasurer
- 3. Garrett Ashley, Director
- 4. Loretta (Lori) Lamb, Director

#### Staff Present

- 1. George V. Ashkar, Assistant Vice Chancellor, Financial Services
- 2. Syrus En, Senior Financial Manager, Financing and Treasury
- 3. Lori Redfearn, Assistant Vice Chancellor, Systemwide Advancement
- 4. Jean Gill, Assistant Controller, Financial Services Accounting
- 5. Kelly Cox, Associate Director, Financial Services Accounting
- 6. Randy Libunao, Assistant Manager, Financing and Treasury

Chair White called the meeting to order at 10:15 a.m.

Minutes were taken by staff (Randy Libunao).

To improve the flow of the meeting, George Ashkar recommended reshuffling the order of the agenda by starting with item 5, the appointment of Loretta Lamb as Director. The Board concurred with Ashkar's recommendation.

<u>Presentation to approve Loretta Lamb as Director of the California State University Institute and member of the California State University Audit Committee (action item)</u>

Treasurer Relyea called for the approval of an action item appointing Loretta Lamb as Director and member of the California State University Audit Committee. Treasurer Relyea asked for a motion, which was moved by Chair White and seconded by Director Ashley. The motion was approved unanimously.

# Approval of the Institute Board minutes of June 23, 2014 (action item)

Treasurer Relyea asked for a motion to approve the minutes from the Institute Board meeting on June 23, 2014. Chair White moved and Director Ashely seconded the motion. The motion was approved unanimously. (Director Lamb abstained since she was not a member of the Board at the June 23 Institute Board Meeting.)

### Presentation of the Institute Audit Committee minutes of September 11, 2014 (information item)

Lori Redfearn commented on the large year-over-year increase in Bond Anticipation Notes (BAN) receivables. George Ashkar confirmed the increase in BAN receivables was due to the high number of previously approved campus and auxiliary projects funded through Commercial Paper financing during Fiscal Year 2013-14. Chair White inquired about future Commercial Paper activity. Ashkar commented that activity is expected to increase based on projects recently approved by the Board of Trustees.

# Presentation to approve the Institute's 2013-14 Audited Financial Statements (action item)

George Ashkar presented an action item for the approval of the Institute's Audited Financials. Ashkar noted KPMG's recent completion of the Institute audit with a clean opinion. Ashkar also confirmed the higher Bond Anticipation Note balance in FY 2013-14 due to increased Commercial Paper activity.

Treasurer Relyea requested a motion to approve the CSU Institute Audited Financial Statements. Director Ashley moved and Director Lamb seconded. The motion was approved unanimously.

## <u>Presentation of an update of the Institute's commercial paper program (information item)</u>

George Ashkar provided an introduction to the Commercial Paper program and gave an overview on the Letter of Credit negotiation for Director Lamb's edification. Ashkar commented on the Institute's new Letter of Credit (LOC) and the replacement of JPMorgan with Wells Fargo as co-LOC provider with State Street Bank. Ashkar explained the reason in choosing Wells Fargo was based on the lower annual fee, from 0.79% to 0.37%, translating to \$470,000 in cost savings while increasing the size of the Letter of Credit from \$200 million to \$300 million.

Syrus En presented an update on the Institute's commercial paper program. En explained briefly that the Program's outstanding CP balance as of October 3, 2014 was approximately \$25.6 million at a weighted average rate of 0.10%, comprised of campus projects in long term commercial paper at \$15.3 million and equipment financing program projects at \$10.3 million.

En also reported the \$155 million decrease in commercial paper due primarily to the pay down funded by Systemwide Revenue Bond proceeds of \$153 million and a \$2 million loan principal amortization on the equipment financing program. En also informed the Board that Commercial Paper activity is expected to increase from current levels based on anticipated issuance for three campus projects recently approved by the CSU Board of Trustees.

En provided an update to the Institute's current Commercial Paper Dealer agreements. En stated the three dealer agreements with Barclays, JPMorgan and Morgan Stanley are all set to expire on November 30, 2014. Based on CSU procurement policy, Institute staff commenced a Request for Proposal process to qualify and select a minimum of three firms to serve as dealers for the Commercial Paper program for a five year term. En indicated that Institute staff stands to make a final selection of firms in mid-October, with contracts to take effect late November 2014 coinciding with the expiration of the three, current dealer contracts.

Chair White asked for criteria that Institute staff intends to use when selecting candidate Commercial Paper Dealers. En replied stating staff will evaluate firms based on organizational and capital structure and overall background, experience handling programs comparable to the CSU and other State of California issuers, capability to attain low interest rates remarketing CSU Institute Commercial Paper and finally the candidate firm's ability to provide quality

services at a reasonable cost. Chairman White agreed with criteria given by En, emphasizing the Institute's need to select firms that provide the "best value" to the CSU overall.

White also inquired if Institute staff had the delegated authority to undergo the Request for Proposal Process and to select dealer Firms. Syrus En confirmed that CSU Institute Staff has the authority to do so.

Chairman followed up for Staff's opinion on the direction of future interest rates. En commented by stating the latest Federal Reserve remarks indicate that short term rates stand to remain low through 2015. Director Ashley agreed with En's comments.

Meeting was adjourned at 10:30 a.m.

Respectfully submitted,

Ephraim P. Smith, Secretary

Date