

## AGENDA

### COMMITTEE ON FINANCE

**Meeting: 9:15 a.m., Wednesday, January 23, 2008**  
**Glenn S. Dumke Auditorium**

William Hauck, Chair  
Glen O. Toney, Vice Chair  
Herbert L. Carter  
Kenneth Fong  
Melinda Guzman  
Raymond W. Holdsworth  
Ricardo F. Icaza  
A. Robert Linscheid  
Jennifer Reimer

#### **Consent Item**

Approval of Minutes of Meeting of November 13, 2007

#### **Discussion Items**

1. Report on the 2008-2009 California State University Support Budget Report on Student Fees, Financial Aid, and Student Fee Revenue, *Information*
2. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects, *Action*

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

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

**November 13, 2007**

**Members Present**

William Hauck, Chair  
Glen O. Toney, Vice Chair  
Herbert L. Carter  
Melinda Guzman  
Raymond W. Holdsworth  
A. Robert Linscheid  
Henry Mendoza  
Charles B. Reed, Chancellor  
Jennifer Reimer

**Approval of Minutes**

The minutes of September 18, 2007 were approved.

**Approval of the 2008-2009 Support Budget Request**

Mr. Patrick J. Lenz, assistant vice chancellor, budget, explained the item was being presented for the board's review and approval of the 2008-2009 proposed CSU budget request.

Utilizing a slide presentation, Mr. Lenz provided the committee with an in-depth overview of the state's fiscal condition and budget challenges for the 2008-2009 fiscal year. The presentation also included information on the 2008-2009 revenue and expenditure assumptions under the Compact for Higher Education along with University budget priorities that would require a state General Fund investment before the Compact funding.

The following is a brief synopsis of Mr. Lenz' slide presentation:

The CSU budget request is \$4.7 billion which includes \$3.2 billion from the State General Fund and \$1.4 billion from student fee revenue. The CSU will need a minimum of \$322.7 million to meet the current provisions of the Compact for Higher Education and an additional \$155.2 million above the Compact to fund other CSU priorities.

Mr. Lenz acknowledged that the next year will be one of the most fiscally challenging given California's current economic outlook. Higher Education will face many competing interests for a very limited pot of state general fund dollars. He said it is important to remind policymakers

that the CSU is the economic engine for California. CSU is facing an unprecedented demand for student access, particularly among underrepresented students, and that fully funding the Compact remains our number one priority to ensure student access in order to make our collective bargaining agreements, and to improve the quality of education we provide to our students.

Trustee Smith expressed his thanks for the work done on the increased ratio of tenured faculty noting it is up about \$5 million from the last proposal.

Trustee Holdsworth asked for clarification on the university's total amount of deferred maintenance obligation. Mr. Rodney Rideau, director of the budget, replied that the total amount was in the area of \$400 million.

Lt. Governor John Garamendi said he was very concerned about implications in the budget that appear to suggest student fee increases, and urged the board to consider removing all reference of a fee increase from the proposed budget document. He suggested doing this by means of a resolution to freeze student fees and allow them to only to grow with the rate of inflation.

Roberta Achtenberg, chair, CSU Board of Trustees, acknowledged the Lt. Governor's concerns about fees. However, she pointed out that it is her obligation to act as a fiduciary for the university and that she and the trustees have had to make their best calculations at this point in time, about what will be in the best interest of the university, and that nobody wants to increase fees.

Dr. Charles B. Reed, chancellor, the California State University, said he strongly recommended approval of the budget proposal and pointed out there was nothing in the proposed resolution that raises fees at this time.

Trustee Carter inquired if it would be possible to pass the resolution as it exists, but adding a clause indicating that fees for the 2008 year would be established no later than the March 2008 board meeting. He clarified the intent of his motion was to allow the maximum amount of time to obtain assurances from the governor and the legislature with respect to providing the necessary funds to operate the system without a fee increase.

The committee heard comments on the budget proposal from Dr. Charles Goetzl, president, Academic Professionals California, and Dr. Lillian Taiz of the California State Faculty Association.

A motion was made to amend the resolution on page 3 of 3 in the agenda item adding a resolve clause stating that fees for 2008-2009 be adopted no later than the March 2008 Board of Trustees meeting.

The committee recommended approval of the proposed resolution as amended (RFIN 11-07-19).

### **2008-2009 Lottery Revenue Budget**

Mr. Lenz presented the item noting it had been before the board as an information item at the September meeting and was being presented for action at this time.

Mr. Lenz indicated there are only minor changes to the 2008-2009 budget from the prior year funding. The lottery budget assumes an overall revenue of approximately \$44 million that includes an annual reserve of \$5 million. This will allow for \$39 million for ongoing programs and campus based programs to be funded at the same level as in 2007-2008. Systemwide programs include the Chancellor's Doctoral Incentive Program, the California Pre-Doctoral Program, and the CSU Summer Arts Program. Some of the campus-based programs include, academic remedial and vocational instruction, community service and continuing education, counseling and career guidance, student support services, financial aid and scholarships, and library support.

The committee recommended approval of the proposed resolution (RFIN 11-07-20)

### **2007-2008 Student Fee Report**

Mr. Lenz introduced the item noting CSU student fee policy requires that an annual campus student fee report be presented to the Board of Trustees to allow the board to consider the level and range of fees charged to CSU students.

With the aid of a slide presentation, Mr. Lenz reviewed the CSU fee policy and brought the committee up to date on the most recent fee related issues.

The 2007-2008 systemwide University fee levels were increased by 10% from 2006-2007 fee levels. (There was no increase in State University Fee (SUF) in 2006-2007.

The CSU 2007-2008 academic year resident, undergraduate student fees include the systemwide SUF and required campus fees. The total systemwide and campus fees average is \$3,521. The total is comprised of \$2,772 for the undergraduate SUF (6.1 units or more), and \$749 for the average campus based fees that must be paid to apply to, enroll in, or attend the university.

Mr. Lenz noted CSU remains the most affordable 4-year university among the California Postsecondary Education Commission (CPEC) comparison institutions. He explained that CPEC has historically referenced 15 institutions for our student fee comparisons. Additionally, when considering all other expenses, i.e., books, housing, and other living expenses, CSU is in the lower 1/3 in comparing our cost of attendance with those of our comparison institutions and approximately \$3,000 less than the average of that comparison group.

Other notable facts cited in the report find that CSU undergraduate fees are approximately \$500 below the lowest of our comparison institutions (University of Nevada at Reno), and undergraduate fees are about \$3,600 below the average of our comparison group. Graduate fees

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are \$1,500 below the lowest of our comparison institutions (North Carolina State University), and graduate fees are approximately \$5,500 below the average of our comparison institutions.

Lt. Governor Garamendi expressed his concerns about student fee increases and the need to recognize the long-term implications if the university continues with a significant student fee increase each year.

Trustee Guzman added that it would be helpful to review once again, information gathered in the past regarding various alternatives to increasing student fees simply to ensure that all options have been explored.

Mr. Lenz concluding noting this item was presented for information only at this time.

### **Update on the Status of the California State University's Strategic Capital Financing Plan and Debt Capacity**

Based on the current view of the capital market and the Compact for Higher Education, the University's financing team has revised the debt capacity model it last used to report to the Board of Trustees in March 2005.

Utilizing a slide presentation, Ms. Colleen Nickles, assistant vice chancellor, financial services, and Mr. John Augustine, managing director at Lehman Brothers, updated the board on the results of the debt capacity model for current conditions.

The presentation outlined how CSU's debt capacity is determined, and explained how the various external agencies rate our debt and ability to repay it. The presentation also explained how the capital markets consider a variety of characteristics to evaluate the University's debt capacity. CSU possesses a number of distinctive qualities that have assisted in University's ability to expand its debt capacity. Some of those include being the largest 4-year higher education system in the nation; strong and growing student demand with significant outreach efforts in place; an enhanced ability to retain and manage carry forward funds; the State Compact, and strong management with clear articulation of Systemwide strategies.

Other points noted in the report reflect that although the University has increased its ability to retain and manage carry forward fund balances, income ratios as a measure of debt capacity are more useful than balance sheet ratios.

Some other factors that have contributed to the University's additional debt capacity:

The Income Statement: The University's operating base has increased 6%, from \$5.4 billion, over the past two years;

**Amount of Debt Issued:** The 2005 debt capacity allowed for CSU to issue an average of \$700 million of additional debt per year through 2010. Since that time, the University has increased its debt by \$700 million, (for a total of \$2.6 billion).

**Refinancings:** The University has refinanced approximately \$765 million of outstanding debt since 2005, generating \$37 million on present value debt service savings, which also has increased additional long-term debt capacity.

Mr. Augustine noted the consistency of the Compact has been extremely helpful in overall assessment by the rating agencies and that management analysis has also been important. Moreover, by consolidating the university's debt into one primary vehicle, the university has been able to lower the overall cost of capital to improve its credit ratings and has further enhanced the overall debt capacity of the institution.

Looking forward, CSU currently anticipates issuing system revenue bonds (SRB) in early 2008 of approximately \$500 million.

Ms. Nickles concluded the presentation by saying this report is provided to the trustees to inform the board of the current strategic debt management program and to provide reassurance that CSU has the ability to take on additional long-term debt without resulting in adverse impact to its credit ratings. Mr. West added that the university does not have the authority to pledge any general fund money for debt, and that all debt payments come from fees generated by projects/services, i.e., parking and housing.

Trustee Hauck applauded the tremendous accomplishments achieved by management staff in the area of capital financing. He acknowledged that the hard work of Richard West, Dennis Hordyk, Colleen Nickles, John Augustine and others, has saved the university a great deal of money and the results are reflected in the positive ratings given the CSU by the various rating agencies.

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

Ms. Nickles presented the item noting it was asking for the trustees to approve \$52,850,000 million in systemwide revenue bonds for three projects. The items included:

Long Beach Parking Structure 3; Northridge Parking Structure G-3; and the Fullerton Auxiliary Services Corporation—University Police Building Project.

She then described the financing structure and terms for each of the projects as outlined in the written agenda.

The long-term bonds discussed in this item will be part of a future Systemwide Revenue Bond sale and are expected to bear the same ratings from Moody's Investors Service and Standard and Poor's Corporation as the existing Systemwide Revenue bond program.

The committee recommended approval of the proposed resolution (RFIN 11-07-21).

**COMMITTEE ON FINANCE**

**Report on the 2008-2009 California State University Support Budget  
Report on Student Fees, Financial Aid, and Student Fee Revenue**

**Presentation By**

Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer

Patrick J. Lenz  
Assistant Vice Chancellor  
Budget

**Summary**

On January 10, 2008 Governor Schwarzenegger will submit his 2008-09 state budget proposal to the legislature. In November, the Legislative Analyst Office indicated that the state will face a \$10 billion budget deficit in 2008-09 and since that time the Department of Finance has stated the deficit will be closer to \$14 billion. The Board will be provided with an update on the overall state fiscal condition and specific recommendations on the 2008-09 CSU budget as proposed by the Governor. In addition, the Board requested some information regarding the impact on students of fee increases, the availability of financial aid (grants, loans, and work study) and the budget priorities funded with student fee revenue.

**2008-09 CSU Support Budget**

In November, the Board of Trustees approved its 2008-09 budget recommendations and transmitted this request to Governor Schwarzenegger and the Department of Finance. The Board recommendations included \$322.7 million in Compact funding consisting of \$288.2 million from the state General Fund and \$34.5 million associated with fee revenue as a result of 2.5 percent growth in enrollment. The Board also approved \$322.7 million in expenditures consisting of the following CSU budget priorities:

❖ Enrollment Growth (2.5 percent or 8,572 FTES)	\$ 82.5 million
❖ Compensation	\$154.3 million
❖ Mandatory Costs	\$ 36.0 million
❖ Academic Technology	\$ 33.5 million
❖ Financial Aid Set-Aside	\$ 6.9 million
❖ Deferred Maintenance	\$ 6.5 million
❖ Library Acquisitions	\$ 3.0 million

In addition, the Board recommended \$155.2 million in “above Compact” funding to address long-standing University budget priorities, workforce needs, and statutorily required programs.

The Governor, citing a \$3.3 billion shortfall in the 2007-08 fiscal year, has called for the legislature to convene a Special Session on January 10, 2008 and declared a “fiscal emergency” under the provisions of Proposition 58. Proposition 58 requires the Governor to submit to the legislature a “fiscal plan” to address the deficit and the legislature must respond to the Governor’s plan within 45 days. After 45 days, the legislature is precluded from conducting any other business until they send to the Governor a legislative bill or bills to address the fiscal crisis.

The Governor has indicated that his call for a Special Session under Proposition 58 will include a plan to reduce all state agency General Fund appropriations by 10 percent. At this time, both the California State University (CSU) and the University of California (UC) have been exempted from any 2007-08 mid-year budget reductions. However, it remains to be seen if the legislature will include any reductions in funding to the CSU or UC as part of its response to current year budget reductions. Given the state’s current fiscal condition, funding for the 2008-09 CSU Compact and “above Compact” budget priorities are in serious jeopardy and highly unlikely.

In addition to approving the 2008-09 budget, the Board requested information regarding the impact on students of fee increases, the availability of financial aid (grants, loans, work study) and the budget priorities funded with student fee revenue. The Board will be presented with all this information in an effort to provide a better understanding of the need for student fee revenue, the impact on students, availability of financial aid, and the relationship to fee revenue and the overall CSU budget.

## **Conclusion**

The Board will be presented with an overview of the state’s fiscal condition, specific recommendations by the Governor on the CSU budget, and a comprehensive report on student fee revenue and the impact of increasing student fees.

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**COMMITTEE ON FINANCE**

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

**Presentation By**

Colleen Nickles  
Assistant Vice Chancellor  
Financial Services

**Summary**

This item requests the Board of Trustees to authorize the issuance of Systemwide Revenue Bonds and the issuance of interim financing under the CSU's commercial paper program in an aggregate amount not-to-exceed \$89,355,000, to provide funds for six campus and auxiliary projects/refundings. The Board is being asked to approve a set of resolutions relating to these projects/refundings. The long-term bonds will be part of a future Systemwide Revenue Bond sale and are expected to bear the same ratings from Moody's Investors Service and Standard and Poor's Corporation as the existing Systemwide Revenue Bonds.

The projects/refundings are as follows:

**1. Northridge Student Housing Phase I**

In July 2006 the Board of Trustees approved an Amendment of the Non-State Capital Outlay Program and, in January 2007 the Board approved the schematics of the project. The project received a favorable recommendation from the Housing Proposal Review Committee in May 2006 and received good bids in November 2007. The new 400-bed facility will consist of 200 double occupancy rooms, bathrooms shared between two bedrooms, study lounges, social/community rooms and laundry facilities totaling approximately 89,000 gross square feet, as well as a 5,000 gross square feet community center comprised of a multi-purpose room, a classroom, a recreation room, administrative offices, and support spaces. The project will be located within the existing University Park student housing complex, in the northeast quadrant of the campus. The site is currently occupied by parking lot F8 and field/court spaces. Parking will be provided by existing campus parking within the University Park Apartments.

The not-to-exceed par value of the proposed bonds is \$17,980,000 and is based on a project cost of \$30,286,400, of which \$14,039,400 will be funded from housing reserves. Additional financing costs are to be funded from the bond proceeds. The project's delivery methodology is

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Construction Manager at Risk. The campus is scheduled to start construction in February 2008 with completion in June 2009.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$17,980,000
Amortization	Approximately level over 30 years
Pro-forma maximum annual debt service	\$1,173,448
Projected debt service coverage including the new project: <sup>1</sup>	
Net revenue – All Northridge pledged revenue programs:	1.95
Net revenue – Projected for the campus housing program:	1.61

1. Projected information – Combines 2006-07 unaudited information for the campus-pledged revenue programs and 2010-11 operations of the project with expected full debt service.

The not-to-exceed amount for the project is \$17,980,000, the maximum annual debt service, and the ratios above are based on an interest cost of 5.13% (as of January 3, 2008), reflective of market scale plus 50 basis points as a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan includes level amortization of debt service, which is the CSU program standard. The campus has submitted a financial plan that has a 1.61 times projected program net revenue debt service coverage, which exceeds the CSU benchmark of 1.10. The campus' combined net revenue debt service coverage from all pledged revenue programs for the campus is projected at 1.95, which exceeds the CSU's 1.35 times debt service campus benchmark.

**2. California State University, Long Beach Foundation—Brooks College Acquisition Project and Foundation Office Building Refinancing.**

Brooks College Project Description

In September 2007, the California State University, Long Beach Foundation (the "Foundation"), a recognized auxiliary organization, purchased the property commonly known as Brooks College (the "Project") for \$11,100,000 as a means to provide critically needed student housing for the Long Beach campus. The Project consists of four buildings on 5.04 acres, located approximately one mile from campus. Three of the buildings contain dormitory rooms, classroom, and office space. The current combined configuration of these buildings provides for 524 bedspaces, classroom space of about 1400 seats, and approximately 16,300 square feet of office space. The fourth building is a cafeteria. At present, Brooks College still occupies the site through a lease that will expire in the spring of 2009. Brooks College currently has about 370 students and will wind down its operations through the end of the current lease by graduating the existing student

population and shutting off new enrollment. Of the existing bed spaces, almost half (255) are already occupied by current CSU Long Beach students.

The Foundation's plan calls for the renovation of the site to increase the number of bed spaces to approximately 700, reduce the classroom space to about 450 seats, and convert a significant portion of the office space to student activity space. The Foundation is currently in discussions with Brooks College to modify the terms of the existing lease to allow the Foundation to begin renovation work in the spring of 2008 and to increase the number of CSU Long Beach students residing at the site to 440 in the fall of 2008. With respect to the operation of the Project, the Foundation will enter into lease agreements with CSULB Housing, 49er Shops, and the Long Beach campus for the student housing, cafeteria, and classroom space, respectively. The Project was reviewed by the Housing Proposal Review Committee in November 2007.

Financing of Brooks College Project and Refinancing of Foundation Building

The Foundation's financing plan for Brooks College has been broken into two phases. Phase 1, which is presented here, calls for the refinancing of the Foundation's \$11,100,000 acquisition cost. The acquisition was funded from a short term loan from the Foundation's endowment funds, with the intent of seeking long term financing through the Systemwide Revenue Bond program. Renovation costs are currently estimated at \$12,000,000 and will be presented as Phase 2 to the Trustees for financing approval at a subsequent meeting once the renovation plan has been completed.

Additionally, this item requests that the Trustees approve the refunding of the Foundation's Series 1998A and Series 1998B bonds in the current par amount of \$9,165,000. These bonds were originally issued by the City of Long Beach on behalf of the CSU Long Beach Foundation for the construction of the Foundation Building. The Series 1998A/B bonds must be refunded because the current indenture contains a restriction on the issuance of additional long term debt, so in order for the Brooks College acquisition to be financed under the Systemwide Revenue Bonds, the 1998 A/B indenture must be defeased.

The not-to-exceed par value of the proposed bonds is \$20,665,000 and is based on the Brooks College acquisition cost of \$11,100,000 and the par amount of the existing Series 1998A/B bonds. The bonds will carry a general obligation pledge of the Foundation's unrestricted revenues. The bonds will be amortized over 25 years based on level debt service repayments, with a maximum annual debt service of \$1,461,863. The source of debt service repayment will be the net cash flow derived from the Foundation's unrestricted operations, including the lease payments received for the operation of the Project, pursuant to a loan agreement with the Trustees. Based on the financial plan submitted, including the estimated \$12,000,000 in renovation costs to be approved as Phase 2, the Foundation demonstrates good debt service coverage of 2.23 times for the Foundation and 1.23 times on the Project in 2009-10, the first full year of operation. The coverage exceeds the CSU benchmark of 1.25 for auxiliary organizations,

and is close to the 1.25 times requirement for an auxiliary project. The bond par amount was based on an interest cost of 4.97% (as of January 3, 2008), reflective of market scale plus 50 basis points as a cushion to account for any market fluctuations that could occur before the permanent financing bonds are sold.

**3. California State University, Long Beach – Forty Niner Shops, Inc.  
The Outpost Food Services Replacement Building Project**

The Board of Trustees previously approved at its March 2007 meeting an amendment to the Non-State Funded Capital Outlay program and schematic plans for the Outpost Food Services Replacement Building Project (the “Project”). In an effort to improve food services for students and the campus community, the Forty Niner Shops, Incorporated, (the “Corporation”) a recognized CSU Long Beach auxiliary organization in good standing, is focused on demolishing an existing building and replacing it with a larger facility consisting of 8,800 gross square feet. The existing facility consists of 4,195 gross square feet, and was constructed in 1979 as a food service facility to serve a much smaller campus population.

The new facility will be a single-story, wood frame building, with a 150-seat indoor seating area, a 100-seat outdoor seating area that will double as a book buy-back area, a 1,500 square foot convenience store, hot and cold food preparation lines, walk-in refrigerators and freezer, restrooms, and a loading dock for common receiving area for the dining and convenience store. Total Project construction costs will be \$5,341,124, of which \$1,341,124 will be funded from cash reserves of the auxiliary, and the remainder financed by Systemwide Revenue Bonds at a not-to-exceed par amount of \$4,210,000. Good construction bids were received on November 15, 2007, with construction scheduled to begin in February 2008 and completed in August 2008.

The bonds will carry a general obligation pledge of the auxiliary’s unrestricted revenues and be on parity with its existing debt. The bonds will be amortized over 30 years based on level debt service payments, with a maximum annual debt service of \$275,868. The source of debt service repayment will be the net cash flow derived from operation of the Project, pursuant to a loan agreement with the Trustees. Based on the financial plan submitted, the Corporation demonstrates good debt service coverages of 2.45 for the Corporation and 1.20 on the Project in 2009-10, the first full year of operations for the Project. The coverage exceeds the CSU benchmark of 1.25 for auxiliary organizations, and is close to the 1.25 times requirement for an auxiliary project. The bond par amount was based on an interest cost of 5.12% (as of January 3, 2008), reflective of market scale plus 50 basis points as a cushion to account for any market fluctuations that could occur before the permanent financing bonds are sold.

**4. The University Corporation (California State University, Northridge)—Performing Arts Center Project**

Background and Project Description

In March 2006 the Board of Trustees approved schematic plans for the California State University, Northridge Performing Arts Center (PAC). The 163,000 gross square foot PAC will support academic programs within the College of Arts, Media and Communication and the overall campus, as well as a variety of public performances. The 1,700-seat performance hall will have the acoustic properties and audiovisual capabilities to accommodate live music, theatre, film and Broadway productions. In addition to the performance hall, the building includes lighting, media, scenery and costume laboratories, rehearsal spaces, a 200-seat flexible theatre, a 200-seat tiered lecture hall, campus radio station, and performance supporting spaces such as dressing rooms and control rooms.

The PAC will enhance CSU Northridge's outstanding programs in music and theater arts, while establishing a cultural hub within the San Fernando Valley. The PAC—which will accommodate 380 student FTE and include 35 faculty offices—will provide the CSU Northridge Music and Theatre Departments with teaching environments similar to those students will encounter in their professional careers. The facility will provide an economic stimulus for the surrounding region and expand opportunities for campus partnerships with cultural institutions, the entertainment industry and the community.

Project Funding

The total project cost of \$124.8 million will be funded from multiple sources, including state capital outlay funds for construction (\$57.7 million) and state capital outlay funds for Group II equipment that are anticipated to come from the 2008-09 State Funded Capital Outlay Program (\$5.6 million). The campus has already expended \$4.0 million from unrestricted campus funds, and has identified an additional \$20.5 million in cash donations from private donors, municipal grants, unrestricted campus project funds, a cash contribution from the University Corporation (a recognized auxiliary organization), and unrestricted interest on trust funds.

The remaining \$37 million in funds required for the completion of the project will come from \$6 million in enforceable donor pledges, a University Foundation contribution of \$1 million, and future fundraising. Should fundraising proceeds not materialize on schedule, two sources will provide cash requirements for construction: 1) Systemwide Revenue Bond/Commercial Paper proceeds of \$11.5 million, to be repaid under a pledge of the University Corporation (the subject of this item) and 2) an internal loan of \$18.5 million, to be repaid from product sponsorships, facility lease revenues, and unrestricted earnings on trust funds. The following chart lays out the project funding.

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State Capital Outlay		\$57,700,000
2008-09 Group II Equipment – State Capital Outlay		5,600,000
Campus-Funds Expended		4,000,000
Campus-Funds Available		20,500,000
	\$7,700,000 – cash donations from private donors and municipal grants \$2,850,000 – unrestricted campus project funds \$8,050,000 – University Corporation contribution \$1,900,000 – unrestricted interest on trust funds, thru 12-07	
Enforceable Donor Commitments		6,000,000
Anticipated University Foundation Contribution		1,000,000
Remainder Required		30,000,000
	\$11,500,000 – Systemwide Revenue Bonds, repaid by the University Corporation \$18,500,000 – Internal loan, amortized over 20 years, repaid from: <ul style="list-style-type: none"> <li>♦ product sponsorship – pouring rights contract</li> <li>♦ facilities lease revenues – cell phone sites</li> <li>♦ ITFS frequency contract</li> <li>♦ unrestricted interest earnings on trust funds</li> </ul>	
Total Project Cost		\$124,800,000

In order to capitalize on an optimal subcontractor bidding climate and mitigate the risk of significant construction cost escalation, the campus wishes to sign the construction contract for the PAC and begin construction as quickly as possible. The project was bid in December 2007,

and the campus received favorable bids. Construction is scheduled to begin in February 2008, with completion in March 2010.

Financing

The Board of the University Corporation, a recognized auxiliary organization in good standing, has approved an annual pledge of \$1 million for this project from available University Corporation revenues. This amount provides a 1.25 times debt service coverage on a maximum annual debt service of \$799,861, assuming level debt service over thirty years and funding of the full not-to-exceed amount. This level of debt service coverage meets the CSU benchmark of 1.25 for an auxiliary project. Although the campus is confident that additional fundraising will mitigate the need to borrow for the full amount of the SRB portion, in order to finalize the construction contract, all fund sources must be identified at the time of the construction contract signing.

The not-to-exceed par amount of \$12,210,000, the maximum annual debt service, and the ratios above are based on an interest cost of 5.17% (as of January 3, 2008), reflective of market scale plus 50 basis points as a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold.

**5. California State University, Stanislaus Auxiliary and Business Services – Residential Life Village Refinancing**

A refinancing of certain bonds of California State University, Stanislaus Auxiliary and Business Services (the “Corporation”), a recognized auxiliary organization in good standing, is being recommended for Trustees approval. The Corporation board adopted a refinancing resolution on June 3, 2004.

The Corporation bonds were originally issued in 1995 at a par amount of \$5,980,000 (current par \$4,345,000) to fund on-campus student housing known as the Residential Life Village. This particular refinancing represents a current refunding of the bonds.

The refinancing is at a not-to-exceed par amount of \$4,575,000 and is estimated to generate a net present value savings of \$441,654 or 10.16% of the refunded bonds. The refinancing will carry a general obligation pledge of the Corporation’s unrestricted revenues.

The not-to-exceed amount and the net present value savings are based on a current interest cost of 3.92% (as of January 3, 2008), based on current market scale, without a cushion for interest rate fluctuation. This refunding will have a minimal impact on systemwide debt capacity, as this auxiliary debt is already included in overall CSU debt capacity calculations.

## **6. California State University, Fullerton Foundation – College Park Refinancing**

A refinancing of certain bonds of the California State University, Fullerton Auxiliary Services Corporation (the “Corporation”), a recognized auxiliary organization in good standing, is being recommended for Trustees approval. The Corporation board adopted a refinancing resolution on December 12, 2007.

The Corporation bonds were originally issued in 2000 at a par amount of \$28,265,000 (current par \$26,275,000) to fund the acquisition of the College Park office building adjacent to the Fullerton campus. This particular refinancing represents an advance refunding of the bonds.

The refinancing is at a not-to-exceed par amount of \$29,715,000 and is estimated to generate a net present value savings of \$1,107,700 or 4.20% of the refunded bonds. The refinancing will carry a general pledge of the Corporation’s unrestricted revenues equivalent to 1.25 times annual debt service coverage on the bonds.

The not-to-exceed amount and the net present value savings are based on a current interest cost of 4.40% (as of January 3, 2008), based on current market scale, without a cushion for interest rate fluctuation. This refunding will have minimal impact on the systemwide debt capacity since auxiliary debt is already included in overall CSU financial statements and debt capacity calculations.

### **Trustee Resolutions and Recommended Action**

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing a set of resolutions to be presented at this meeting for the projects described in this agenda item that authorize interim and permanent financing. The proposed resolutions will be distributed at the meeting and will achieve the following:

1. Authorize the sale and issuance of Systemwide Revenue Bond Anticipation Notes and the related sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds in an amount not-to-exceed \$89,355,000, and certain actions relating thereto.
2. Provide a delegation to the Chancellor; the Executive Vice Chancellor and Chief Financial Officer; the Assistant Vice Chancellor, Financial Services; and the Director, Financing and Treasury; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes and the revenue bonds.

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Approval of the financing resolutions for the projects as described in this Agenda Item 2 of the Committee on Finance at the January 22-23, 2008, meeting of the CSU Board of Trustees is recommended for:

**Northridge Student Housing Phase I**

**California State University, Long Beach Foundation—Brooks College Acquisition Project and Foundation Office Building Refinancing.**

**California State University, Long Beach – Forty Niner Shops, Inc.  
The Outpost Food Services Replacement Building Project**

**The University Corporation (California State University, Northridge)—Performing Arts Center Project**

**California State University, Stanislaus Auxiliary and Business Services – Residential Life Village Refinancing**

**California State University, Fullerton Foundation – College Park Refinancing**