

## AGENDA

### COMMITTEE ON FINANCE

**Meeting: 12:45 p.m., Tuesday, November 17, 2009**  
**Glenn S. Dumke Auditorium**

William Hauck, Chair  
Raymond W. Holdsworth, Vice Chair  
Roberta Achtenberg  
Herbert L. Carter  
Kenneth Fong  
Margaret Fortune  
Linda A. Lang  
A. Robert Linscheid  
Henry Mendoza  
Russel Statham  
Glen O. Toney

#### **Consent Item**

Approval of Minutes of Meeting of September 22, 2009

#### **Discussion Items**

1. Approval of the 2010-2011 Support Budget, *Action*
2. 2010-2011 Lottery Revenue Budget, *Action*
3. 2009-2010 Student Fee Report, *Information*
4. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects, *Action*
5. Bond Financing Update, *Information*

**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**

**September 22, 2009**

**Members Present**

William Hauck, Chair  
Raymond W. Holdsworth, Vice Chair  
Jeffrey L. Bleich, Chair of the Board  
Roberta Achtenberg  
Herbert L. Carter  
Kenneth Fong  
Margaret Fortune  
Linda A. Lang  
Robert Linscheid  
Charles B. Reed, Chancellor  
Russel Statham  
Glen O. Toney

**Approval of Minutes**

The minutes of July 21, 2009 were approved by consent as submitted.

**Report on the 2009-2010 Support Budget**

In his opening remarks, Executive Vice Chancellor and Chief Financial Officer Benjamin F. Quillian explained that the state is no longer issuing IOUs, but cash flow problems persist. Revenue is falling short of projections with corporate tax revenues serving as the notable exception. The state's economy is lagging behind the rest of the nation and unemployment is expected to rise. At the request of the state, the California State University covered its payroll in July and is expected to do so again in February and March, to be reimbursed by the state. The CSU payroll approaches \$300 million a month. State reserves are nearly at an all time low. The state is borrowing \$10.5 billion by issuing revenue anticipation notes (RAN's) that must be repaid by June 30, 2010. Federal stimulus money has partially offset the state cuts. Furloughs, fee increases, and reductions in enrollments remain absolute necessities.

Robert Turnage, assistant vice chancellor for budget, said that when the Board of Trustees met on July 21, 2009, the CSU faced a 2009-10 revenue shortfall of \$584 million. Some improvement in the CSU's position occurred when federal stimulus funds (from the Education Stabilization Fund) and the additional fee revenues were made available by board action taken in

May 2009. Final action on the state budget resulted in a \$20 million improvement in CSU's general fund. The Governor had proposed reducing CSU student outreach programs by \$18.6 million. Instead, the Legislature adopted budget act language directing the CSU to avoid reducing these programs disproportionately. These actions by the Legislature and Governor resulted in a revised revenue shortfall of \$564 million. Mr. Turnage explained that as the CSU moves forward, the CSU faces mandatory costs for 2009-10 of approximately \$40 million, resulting in a total budget gap of \$604 million. The actions taken by the Board and the Chancellor in July address this gap as follows: furloughs (45 percent of gap), additional increase in State University Fee (26 percent), increase in nonresident tuition (2 percent), and campus-directed cuts (27 percent). Overall, the condition of the state's budget is precarious. There is a very small reserve built into the state's budget and there are any number of events like fighting fires early into the fire season that could deplete or eliminate the reserve. Other assumptions, like performance of the state's economy, make it difficult to forecast revenue. In addition, he noted the most important benchmark will occur after December quarterly collections. Protection against mid-year cuts for the three public segments of higher education is significant. The maintenance of effort requirement—a condition of California's use of funds from the Education Stabilization Fund created by last February's federal stimulus bill is far from absolute. There were no questions.

### **Report on the 2010-2011 Support Budget**

The committee members turned their attention to an information item regarding the state's fiscal condition and budget challenges for 2010-11. Robert Turnage, assistant vice chancellor for budget, explained how severe constraints on general fund revenues and intense competition for the funding of the wide range of programs for which the state is responsible are expected to continue into the 2010-11 fiscal year. General Fund Revenues are ultra-sensitive to the state's economy and hazardous to forecast. The consensus of economists and fiscal experts in Sacramento is that 2010-11 will continue to be a very difficult year. The CSU has an obligation on behalf of the university to make the basic needs of the university known to policymakers in Sacramento. Mr. Turnage presented a preliminary framework for revenue and expenditure assumptions for purposes of crafting a budget request that will come back to the Board for review and approval in November. Mr. Turnage described this plan as a "recovery" budget. Its initial foundation is the restoration of two one-time cuts that were imposed by the state for the 2009-10 fiscal year. The two cuts: \$255 million line-item veto and \$50 million were cut by the Legislature as part of the original 2009-10 budget act adopted last February. In this revenue scenario, the budget plan builds on this restored base by using the revenue assumptions of the Higher Education Compact, which would generate an estimated increase in state funding of approximately \$287 million. The budget then calls for approximately \$290 million for "Core Compact Recovery" to recover, on a going-forward basis, that part of the Compact for 2008-09 and 2009-10 that would have funded CSU's collective bargaining agreements had the state been able to provide the funds. The resulting General Fund total (\$3.22 billion) would exceed State General Fund provided to the CSU in 2007-08 by \$250 million, or 8.4 percent.

Mr. Turnage directed committee members to Attachment A, which summarized the expenditure requirements including: \$289 million to restore state support per FTES to 2008-09 levels; \$26 million for mandatory costs such as health benefits, new space, and energy; \$71 million toward compensation increases; and \$61 million for Access to Student Services and Instruction (which builds and expands upon a \$24.6 million proposal included in last year's Board-approved budget request). Finally, Mr. Turnage outlined \$40 million for "long term needs" like technology, libraries, and facility maintenance; and \$290 million for "Core Compact Recovery" (compensation). According to Mr. Turnage, this preliminary expenditure plan assumes an expanded scale of effort compared to last year's proposal, but also envisions a broader sweep of improved services and would encompass various quality enhancements for instruction.

Trustee Holdsworth suggested taking a look at trade-offs especially long-term needs will be important as the CSU moves further along in the budget process.

Lieutenant Governor John Garamendi questioned whether any analyses look beyond 2010-11. He noted that the budget deficit is expected to grow over the next several budget years. In the near term and the next five years serious funding problems are certain to occur for the university systems. He suggested the CSU and the UC systems join together to develop a funding source for higher education. He urged the attention of the Trustees to seek a revenue source dedicated to higher education. He urged supporting oil severance fee legislation that has been introduced.

Trustee Holdsworth noted that CSU staff was asked at the last Trustees meeting to focus on the immediate crisis and then, as a next step, look three to five years out.

Trustee Statham approved of the Compact funding model, but shared his concern about a potential fee increase. He suggested augmenting the restoration of the funds by the 20 percent students have already overpaid as a show of faith to students.

Chancellor Reed described a recent Board of Regents workshop he attended with Jack Scott. There Dr. Reed proposed the three systems of higher education work together to seek funding for the next three to eight years. He stated that the systems need to reach out to their constituencies to explain why higher education for the young people of this state is important.

Trustee Linscheid expressed that 2.2 million alumni want to play a role in emphasizing and advocating for long-term funding.

There were no further questions or comments.

### **2010-2011 Lottery Revenue Budget**

Robert Turnage, assistant vice chancellor for budget, presented the third information item. in his opening remarks, Mr. Turnage explained that the 2010-2011 Lottery Revenue Budget is essentially identical to the prior two years because lottery receipts are stagnant and not growing.

Mr. Turnage directed committee members to the table on page 3, which outlines the proposed 2010-11 Lottery Revenue budget that is expected to be presented for action at the November meeting.

Trustee Hauck questioned whether it would be sensible to speak to the Lottery Commission regarding an expanded program prior to finalizing this budget.

Mr. Turnage noted the lottery revenue is a fraction of the system's overall funding.

### **Enterprise Risk Management**

Dr. Quillian and Robert Eaton, director of financing and treasury, presented this information item to bring board awareness to the Enterprise Risk Management (ERM) initiative. Dr. Quillian described how Financial Services along with his office is undertaking a comprehensive examination of risk factors that can affect the university. This examination utilizes the Enterprise Risk Management (ERM) process. Assisted by a multi-media presentation, Mr. Eaton previewed the ERM process for committee members and explained the approach. Through the use of a common template, the goal of systematically examining a wide range of risk factors in the changing economic environment is consistent with best practices of risk management. While over 60 priority risks have been identified across 13 business categories, preliminary risk factors deemed significant and identified in the area of finance include: Financial Liquidity, Rating Agency Management, and Financial Markets. The committee reviewed the risk matrix function, a current approach to the risk, areas of CSU impacted by the risk, and risk mitigation strategy.

Trustee Bleich pointed out that the Board's frustration, at times, is due to the failure of the state government to address some shortfalls proactively – forcing the CSU into a position of covering payroll, for example. He questioned whether there has been any attempt to quantify how much this is costing the system annually because the CSU is not maximizing returns on investments. Mr. Eaton explained that the CSU, influenced by the state's budget, made a prudent decision to remain short and liquid. He noted that the CSU Annual Investment Report would follow as the next agenda item. Amounts in that report were quantified in percentages rather than dollars.

Trustee Carter questioned funds in excess of \$1 billion that are, at times, thought to be available to use for academic purposes. He asked Dr. Quillian or Chancellor Reed to clearly state, for the record, what these funds are and what they can be used for. Trustee Hauck clarified that the SWIFT portfolio, as indicated in the Investment Report, totals \$1.36 billion. Chancellor Reed explained that large parts of these funds were earmarked to be used for specific purposes. For example, parking funds cannot be used for the operating budget. He continued to explain that until this year, the CSU had used the state general fund to fund operating costs until March. Sometime in the middle of March, the entire state fund will have been used. Then, in April, May, and June, the CSU uses student fee money. Until then, the CSU invests those student fees. Dr. Reed estimates that the CSU has lost \$12-\$15 million in interest. There were no other questions.

## **California State University Annual Investment Report**

Interim Assistant Vice Chancellor, Financial Services George Ashkar presented for information the annual investment report for fiscal year 2008-09 for funds managed under the California State University (CSU) Investment policy. The committee referred to the year-end results for the Surplus Money Investment Fund (SMIF) and the Local Agency Investment Fund (LAIF) located in Attachments A & B. Because a bulk of the CSU funds, invested through the CSU Systemwide Investment Fund-Trust (SWIFT), is divided equally between two investment management firms, representatives from FAF Advisors and Wells Capital Management were on hand to answer questions and provide brief comments with regards to the financial markets. Mr. Ashkar noted that Wells Capital Management assumed its role as one of the two investment managers through its acquisition of Wachovia Corporation in December 2008. Mr. Ashkar stated that the CSU ended the 2008-09 fiscal year with approximately \$1.36 billion with investments in SWIFT. He further explained that the objective of SWIFT was to maximize currently income while preserving capital and liquidity. The return for 2008-09 was 2.63% during the 12 months ended June 30, 2009 and in response to market uncertainty during certain periods of the year, was less than the portfolio benchmark. After brief committee discussion, there were no further questions.

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

In order to provide funds for two campus projects (East Bay Recreation and Wellness Center Project and Los Angeles Dobbs Street Apartment Acquisition Project) and one auxiliary project (San Diego Aztec Shops Limited—Albert's College Apartment Acquisition Project), Dr. Quillian and Mr. Ashkar presented this item for action by the Board to authorize the issuance of Systemwide Revenue Bonds and the issuance of interim financing under the California State University's commercial paper program in an aggregate amount not-to-exceed \$60,985,000.

President James Rosser commented that the Los Angeles Dobbs Street Apartment Acquisition Project would be an affordable and significant strategic acquisition that would enable the campus to meet aggressively its enrollment management plans.

The committee recommended approval to issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects (RFIN 09-09-06).

Trustee Hauck adjourned the Committee on Finance.

## COMMITTEE ON FINANCE

### **Approval of the 2010-2011 Support Budget**

#### **Presentation By**

Benjamin F. Quillian  
Executive Vice Chancellor and  
Chief Financial Officer

Robert Turnage  
Assistant Vice Chancellor  
Budget

#### **Summary**

At the September meeting, the Board of Trustees was provided with an overview of the State's fiscal condition and budget challenges for 2010-11. The Board also was presented with preliminary revenue and expenditure assumptions for purposes of crafting a CSU Support Budget request for 2010-11. This item presents for the Board's review and approval a recommended CSU Support Budget request for 2010-11.

#### **2010-11 State Budget Overview**

The Governor and the Legislature only recently resolved a \$26.3 billion State budget deficit and the condition of the State's General Fund remains precarious for 2009-10. Severe constraints on General Fund revenues and intense competition for the funding of the wide range of programs for which the State is responsible are expected to continue into the 2010-11 fiscal year. An important contributing factor to this situation is the one-time nature of many of the "budget solutions" that were used to balance the budget in 2009-10. Many of these one-time measures cannot be repeated, which raises questions as to how the State can save similar amounts in 2010-11. The Department of Finance already projects that the 2010-11 State budget will start with a deficit of \$7 billion, absent corrective steps.

Having raised these notes of caution, the State's tax structure is extremely sensitive to the course of the State's economy. Thus, State revenues could rise at a surprisingly fast rate if economic recovery becomes more robust than currently forecast. Nevertheless, on balance, the consensus of State fiscal experts is that 2010-11 will be another year of great difficulty.

California is subject to a federal maintenance of effort provision that requires State spending on higher education to be at least as high in 2010-11 as the level of funding approved in the 2009-10

Budget Act last July. This could protect the CSU against further cuts, but this protection is not absolute.

### **2010-11 CSU Support Budget**

Despite the State's fiscal condition, the CSU has legitimate funding needs in order to carry out its critically important missions for California. This CSU Support Budget request for the 2010-11 plan has received input from campus and system leaders, including the Systemwide Budget Advisory Committee, which has broad representation from campus presidents, academic senate, labor, and students.

**Revenue Framework.** This budget plan can be described as a "recovery" budget for the CSU. Its initial foundation is the restoration of two one-time cuts that were imposed by the State for the 2009-10 fiscal year. These two cuts are:

- \$255 million line-item veto. The Governor's veto message described this as a one-time cut, to be replaced with State General Fund in 2010-11.
- \$50 million cut by the Legislature as part of the original 2009-10 budget act adopted last February. The Legislature included language in the budget act that indicated its intent to restore these funds when possible.

The assumption in this budget plan is that the CSU should request the restoration of these revenues. The budget plan then builds on this restored base by using the revenue assumptions of the Higher Education Compact. For three fiscal years—2005-06 through 2007-08—the Higher Education Compact provided revenue increases that permitted the CSU to address mandatory cost increases, enrollment growth, and compensation increases, as well as other key priorities. This budget plan calls for the resumption of that revenue framework, which would generate an estimated increase in State funding of approximately \$296 million. Consistent with prior budget requests, this amount includes an estimated \$111 million of State General Fund that is assumed to "buy out" the amount of fee revenue that would be generated by a 10 percent fee increase (net of one-third return to financial aid).

Finally, the budget plan calls for \$283 million for what we describe as "Core Compact Recovery." The concept is to recover, on a going-forward basis, that part of the Compact for 2008-09 and 2009-10 that would have funded CSU's collective bargaining agreements had the State been able to provide the funds. Last year, the Board included \$116.7 million for this purpose. The estimated amount is now \$283 million due to the need to "recover" an amount associated with a second year.

These revenue planning elements add up to a requested State General Fund increase of \$884 million above the current General Fund "base" of \$2.345 billion. The resulting General Fund

total (\$3.33 billion) would exceed State General Fund provided to the CSU in 2007-08 (the last “normal” funding year experienced) by \$259 million, or 8.7 percent. This is an ambitious total, but a realistic estimate of the true fiscal needs of the University, which must be communicated to both the administration and the Legislature.

The final necessary element of the revenue framework is recognition of the loss of student fee revenues associated with the current two-year effort to manage enrollments. Enrollment “targets” are being reduced by an average of 9.5 percent systemwide as a critically necessary response to State budget cuts and the high probability that reduced State funding levels will continue into 2010-11. Given the long lead times needed to plan campus operations and to manage admission cycles, reduced enrollment levels will be the reality in 2010-11. In fact, the long lead times and practical difficulties of suddenly turning around enrollment trends would make enrollment growth in 2010-11 impossible even if the 2010-11 budget resulted in a major revenue windfall. For these reasons, this budget plan does not propose enrollment growth and the plan must take into account a year-to-year fee revenue reduction of about \$118 million. This \$118 million, when subtracted from the \$884 million General Fund increase, results in a net increase in CSU revenue of \$766 million. The expenditure framework described in the next section ties to this net revenue increase.

***Expenditure Framework.*** The recommended expenditure framework is summarized as follows:

- Restore state support per FTES to 2008-09 (February 2008 revision)      \$282 million.
- Mandatory costs (health benefits, new space, energy)      \$22 million.
- Compensation increase (2.5 percent “pool”)      \$76 million.
- Access to Student Services and Instruction      \$56 million.
- “Long term needs” (technology, libraries, facility maintenance)      \$47 million.
- “Core Compact Recovery” (compensation)      \$283 million.

Total expenditure increase      \$766 million.

Attachment A presents the revenue and expenditure assumptions described here in a chart.

The following resolution is recommended for adoption.

**RESOLVED**, By the Board of Trustees of the California State University that the 2010-11 Support Budget is approved as submitted by the Chancellor; and be it further

**RESOLVED**, That the Chancellor is authorized to adjust and amend this budget to reflect changes in the assumptions upon which this budget is based, and that

such changes made by the Chancellor be communicated promptly to the Trustees;  
and be it further

**RESOLVED**, That the Chancellor is authorized to comply with requests of the Department of Finance and the Legislature regarding establishment of priorities within this budget; and be it further

**RESOLVED**, That copies of this resolution be transmitted to the California Postsecondary Education Commission, to the Governor, to the Director of Finance and to the Legislature.

## 2010-11 Budget Planning Estimates

### 2010-11 General Fund Planning Assumption

<b>2009-10 Final Budget General Fund Appropriation</b>	<b>\$2,345,398,000</b>
Restoration of \$255 Million Line Item Veto (Governor)	255,000,000
Restoration of \$50 Million Federal Stimulus Trigger (Legislature)	50,000,000
Compact Operating Budget Growth (4%)	103,216,000
Compact Long Term Need Growth (1%)	25,804,000
Access to Student Services and Instruction ( <i>in lieu of Compact 2.5% Enrollment Growth</i> )	56,036,000
Fee Increase General Fund Buyout (net of 1/3 set aside for CSU grants)	111,136,000
<b>Total, General Fund Revenue Increase (Planning Budget)</b>	<b>\$601,192,000</b>
2008-09 and 2009-10 Core Compact Recovery	\$283,000,000
<b>Planning Budget - 2010-11 Total General Fund Appropriation Request</b>	<b>\$884,192,000</b>
<b>2010-11 Final Budget General Fund Appropriation</b>	<b>\$3,229,590,000</b>
<b>Planning Document - General Fund Revenue Increase</b>	
Planning Budget - 2010-11 Total General Fund Appropriation Request	\$884,192,000
Net Revenue Loss from 9.5% Enrollment Reduction (discounted for reduced Financial Aid pool funding)	(118,088,000)
<b>Net 2010-11 Budget Plan Revenue Increase</b>	<b>\$766,104,000</b>

### 2010-11 Budget Plan

<b>Restore General Fund Support per FTES to February Revised 2008-09 Level</b>	<b>\$281,768,000</b>
<b>Center for California Studies</b>	<b>122,000</b>
<b>Mandatory Costs</b>	
Health Benefits Premium Increase	9,700,000
New Space	5,375,000
Energy	7,228,000
<b>Access to Student Services and Instruction</b>	<b>56,036,000</b>
<b>Compensation</b>	
2.5% General Compensation Increase	75,875,000
<b>Long Term Needs</b>	
Technology	25,000,000
Libraries	3,000,000
Facility Maintenance (Health and Safety Repairs, Scheduled Maintenance)	19,000,000
<b>Compensation to address prior collective bargaining negotiations</b>	<b>283,000,000</b>
<b>2010-11 Preliminary Budget Plan Expenditure Increase</b>	<b>\$766,104,000</b>

## COMMITTEE ON FINANCE

### **2010-2011 Lottery Revenue Budget**

#### **Presentation By**

Benjamin F. Quillian  
Executive Vice Chancellor and  
Chief Financial Officer

Robert Turnage  
Assistant Vice Chancellor  
Budget

#### **Summary**

This is an action item regarding the lottery revenue budget proposal for fiscal year 2010-11. The lottery revenue projection for 2010-11 is \$44 million, with \$39 million available for allocation after setting aside CSU's annual \$5 million systemwide reserve. Lottery revenue reflects no increase in projected support from fiscal year 2009-10 based on indications that State lottery revenues continue to fall in response to the State's sharp economic decline. Beginning reserves are maintained at \$5 million and campuses' interest earnings from lottery allocations are incorporated in the total revenue earnings achieved under the CSU Revenue Management Program implemented in 2006-07. The University does not anticipate any additional carry forward funds in 2010-11 above the planned \$5 million budget reserve. The \$5 million reserve is used to assist with cash-flow variations due to fluctuations in quarterly lottery receipts and other economic uncertainties.

#### **2010-11 Lottery Budget Proposal**

The \$39 million lottery budget plan proposal will continue to be designated to campus based programs and the three system-designated programs that have traditionally received annual lottery funding support: Chancellor's Doctoral Incentive Program, California Pre-Doctoral Program, and CSU Summer Arts Program. The Chancellor's Doctoral Incentive Program will receive \$2 million for financial assistance to graduate students to complete doctoral study in selected disciplines of particular interest and relevance to the CSU. The California Pre-Doctoral Program will receive \$714 thousand to support CSU students who aspire to earn doctoral degrees and who have experienced economic and educational disadvantages. The CSU Summer Arts program will receive \$1.2 million for academic credit courses in the visual, performing, and literary arts.

The remaining \$35.1 million in 2010-11 lottery funds will continue to be used for system program administration and campus based programs. The campus based programs represent a significant source of funds that allow presidents maximum flexibility in meeting unique campus needs. Traditionally, projects receiving campus based funds have included the purchase of new instructional equipment, equipment replacement, curriculum development, and scholarships.

The following table summarizes how lottery funds allocated for the 2008-09 fiscal year were expended.

<b>2008-09 Lottery Expenditure Report</b>		
<b>Program Support Area</b>	<b>Expense</b>	<b>Percent of Total</b>
Academic	\$ 25,329,150	60%
Library Services	\$ 7,745,413	18%
Student Services	\$ 5,122,446	12%
Administration	\$ 1,227,702	3%
University Maintenance	\$ 607,742	1%
Financial Aid	\$ 1,434,524	3%
Community Relations	\$ 632,921	2%
	<b>\$ 42,099,898</b>	<b>100%</b>

Ninety-seven percent of lottery allocations are spent on supplemental programs and services for students and faculty.

The CSU lottery revenue budget proposed for 2010-11 is as follows:

**2010-11 Proposed Lottery Revenue Budget**

	<b>2009-10 Adopted Budget</b>	<b>2010-11 Proposed Budget</b>
<b>Sources of Funds</b>		
Beginning Reserve	\$ 5,000,000	\$ 5,000,000
Receipts	39,000,000	39,000,000
<b>Total Revenues</b>	<b>\$ 44,000,000</b>	<b>\$ 44,000,000</b>
<i>Less Systemwide Reserve</i>	<i>(5,000,000)</i>	<i>(5,000,000)</i>
<b>Total Available for Allocation</b>	<b>\$ 39,000,000</b>	<b>\$ 39,000,000</b>
<b>Uses of Funds</b>		
<i>System Programs</i>		
Chancellor's Doctoral Incentive Program	\$ 2,000,000	\$ 2,000,000
California Pre-Doctoral Program	714,000	714,000
CSU Summer Arts Program	1,200,000	1,200,000
Program Administration	491,000	491,000
	<b>\$ 4,405,000</b>	<b>\$ 4,405,000</b>
<i>Campus Based Programs</i>		
Campus/CO Programs	<b>\$ 34,595,000</b>	<b>\$ 34,595,000</b>
<b>Total Uses of Funds</b>	<b>\$ 39,000,000</b>	<b>\$ 39,000,000</b>

The following resolution is recommended for adoption:

**RESOLVED**, by the Board of Trustees of the California State University, that the 2010-11 Lottery Revenue budget totaling \$44 million be approved for implementation by the Chancellor, with the authorization to make transfers between components of the Lottery Revenue budget and to phase expenditures in accordance with receipt of lottery funds; and be it further

**RESOLVED**, that the Chancellor is hereby granted authority to adjust the 2010-11 Lottery Revenue budget approved by the Board of Trustees to the extent that receipts are greater or lesser than budgeted revenue to respond to opportunities or exigencies; and be it further

**RESOLVED**, that a report of the 2010-11 Lottery Revenue budget receipts and expenditures be made to the Board of Trustees.

## **COMMITTEE ON FINANCE**

### **2009-2010 Student Fee Report**

#### **Presentation By**

Benjamin F. Quillian  
Executive Vice Chancellor and  
Chief Financial Officer

Robert Turnage  
Assistant Vice Chancellor  
Budget

#### **Summary**

California State University student fee policy requires that an annual campus student fee report be presented to the Board of Trustees to allow the Board to consider the level and range of fees charged to CSU students. Summary tables in this report include the 2009-10 academic year, resident, undergraduate student fees required to enroll in or attend the university, by campus, and a comparison of 2008-09 to 2009-10 summary fee levels by campus.

Also, included are tables with 2009-10 fee levels at the CSU's 15 public comparison institutions. The California Postsecondary Education Commission has historically referenced 15 public institutions for faculty compensation and student fee comparisons. Comparison of 2009-10 academic year resident, undergraduate, graduate, and nonresident student fee levels are presented.

#### **2009-10 Student Fee Report**

CSU 2009-10 academic year resident, undergraduate student fees include the systemwide State University Fee (SUF) and mandatory campus-based fees. Systemwide and campus-based fees average \$4,893. This is comprised of \$4,026 for undergraduate SUF (6.1 units or more) and \$867 for average campus based fees that must be paid to enroll in, or attend the university. The 2009-10 systemwide State University Fee increased \$978 (32%) from the 2008-09 fee rate. The average campus-based fees of \$867 are mandatory to enroll in, or attend the university and represent a \$66 (8%) increase from the prior year.

Executive Order 1034, issued in May 2008 re-categorized fees into five fee categories. Category I fees are systemwide mandatory fees charged at the same rate on all campuses, and are under the authority of the Board of Trustees. Category II fees are campus based mandatory fees charged to

Finance

Agenda Item 3

November 17-18, 2009

Page 2 of 7

all students in order to enroll at the university. Category III fees include all miscellaneous course fees charged for state-support courses in order to add materials or experiences to enhance the basic concert of academic course offerings. Category IV fees are charged in exchange for materials, services, or the use of facilities provided by the university, or as fines or deposits for various university programs. Category V includes all fees charged by self-support programs including parking, housing and extended education. All fee rates are reported to the Chancellor annually by each campus.

The per-unit Graduate Business Professional fee is being charged for the first time in 2009-10 for all courses required for graduation in an approved Master's degree program in business. Board of Trustees Resolution (RFIN 05-09-03) authorized this Category I fee at a rate of \$210/semester unit and \$140 per quarter unit. This fee will be adjusted in proportion to future increases in the graduate SUF beginning with any increase that may go into effect for fall 2010.

Credential program and graduate/other post-baccalaureate systemwide SUF rates are greater than the undergraduate SUF. In 2009-10 credential program participant SUF rates increased 32% to \$4,676 for 6.1 units or more per academic year. Graduate and other post-baccalaureate SUF rates also increased by 32% to \$4,962 for 6.1 units or more per academic year. Nonresident students pay tuition in addition to applicable SUF. The nonresident tuition rate increased in 2009-10 by 10% to \$372 per semester unit and \$248 per quarter unit for a maximum academic year total of \$11,160. This was the first increase in nonresident tuition since 2004-05.

Following are 2009-10 academic year resident, undergraduate student fees by campus, and 2008-09 versus 2009-10 summary fee levels by CSU campus:

<b>California State University Undergraduate Mandatory Fees</b>									
Campus	Undergraduate State University Fee		Campus Mandatory Fees Must be paid to enroll in or attend the university.						
	Up to 6 units	Above 6 units	Health Facilities	Health Services	Instructionally Related Activities	Services & Facilities Fees	Student Body Association	Student Body Center	Total = SUF + Campus Fees
Bakersfield	2,334	4,026	6	231	66	12	327	423	\$5,091
Channel Islands	2,334	4,026	6	120	200	70	124	320	\$4,866
Chico	2,334	4,026	6	240	248	4	116	696	\$5,336
Dominguez Hills	2,334	4,026	6	150	10	0	135	318	\$4,645
East Bay	2,334	4,026	6	225	138	3	129	165	\$4,692
Fresno	2,334	4,026	6	186	124	46	69	216	\$4,673
Fullerton	2,334	4,026	6	90	52	72	148	268	\$4,662
Humboldt	2,334	4,026	6	294	544	10	101	185	\$5,166
Long Beach	2,334	4,026	6	90	50	10	88	100	\$4,370
Los Angeles	2,334	4,026	6	165	114	0	54	275	\$4,640
Maritime Academy	2,334	4,026	14	680	130	30	210	0	\$5,090
Monterey Bay	2,334	4,026	0	0	60	291	96	44	\$4,517
Northridge	2,334	4,026	6	108	30	145	156	330	\$4,801
Pomona	2,334	4,026	6	135	40	0	95	240	\$4,542
Sacramento	2,334	4,026	6	146	199	15	119	390	\$4,901
San Bernardino	2,334	4,026	39	167	140	15	81	372	\$4,839
San Diego	2,334	4,026	50	170	350	40	70	241	\$4,947
San Francisco	2,334	4,026	6	222	234	4	84	164	\$4,740
San Jose	2,334	4,026	66	155	198	30	147	432	\$5,054
San Luis Obispo	2,334	4,026	8	263	262	984	268	387	\$6,198
San Marcos	2,334	4,026	50	130	80	112	100	130	\$4,628
Sonoma	2,334	4,026	28	240	406	26	180	384	\$5,290
Stanislaus	2,334	4,026	8	209	177	187	105	128	\$4,840
<b>Average</b>	<b>\$2,334</b>	<b>\$4,026</b>	<b>\$15</b>	<b>\$192</b>	<b>\$167</b>	<b>\$92</b>	<b>\$131</b>	<b>\$270</b>	<b>\$4,893</b>
								<b>Average Campus Mandatory Fees</b>	<b>\$867</b>
Credential SUF*	\$2,712	\$4,674							
Graduate SUF*	\$2,880	\$4,962							
Education Doctorate SUF*		\$8,676							
Graduate Business Professional Fee*	\$140/quarter unit, \$210/semester unit in addition to graduate SUF and non-resident tuition if applicable.								
Non Resident Tuition*	\$248/quarter unit or \$372/semester unit for a maximum academic year charge of \$11,160. These rates are paid in addition to applicable SUF rates.								
* The above fees are paid in addition to campus mandatory fees									

<b>2008-09 to 2009-10</b>			
<b>Academic Year, Resident, Undergraduate Mandatory Fees</b>			
<b>Campus</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Increase</b>
Bakersfield	\$4,077	\$5,091	\$1,014
Channel Islands	\$3,758	\$4,866	\$1,108
Chico	\$4,008	\$5,336	\$1,328
Dominguez Hills	\$3,663	\$4,645	\$982
East Bay	\$3,657	\$4,692	\$1,035
Fresno	\$3,687	\$4,673	\$986
Fullerton	\$3,650	\$4,662	\$1,012
Humboldt	\$4,148	\$5,166	\$1,018
Long Beach	\$3,392	\$4,370	\$978
Los Angeles	\$3,658	\$4,640	\$982
Maritime Academy	\$4,112	\$5,090	\$978
Monterey Bay	\$3,535	\$4,517	\$982
Northridge	\$3,702	\$4,801	\$1,099
Pomona	\$3,564	\$4,542	\$978
Sacramento	\$3,854	\$4,901	\$1,047
San Bernardino	\$3,779	\$4,839	\$1,060
San Diego	\$3,754	\$4,947	\$1,193
San Francisco	\$3,762	\$4,740	\$978
San Jose	\$3,992	\$5,054	\$1,062
San Luis Obispo	\$5,043	\$6,198	\$1,155
San Marcos	\$3,650	\$4,628	\$978
Sonoma	\$4,272	\$5,290	\$1,018
Stanislaus	\$3,819	\$4,840	\$1,021
<b>Average</b>	<b>\$3,849</b>	<b>\$4,893</b>	<b>\$1,044</b>
Systemwide SUF	\$3,048	\$4,026	\$978
Average Campus Based Fees	\$801	\$867	\$66
<b>Total Average</b>	<b>\$3,849</b>	<b>\$4,893</b>	<b>\$1,044</b>

Increases in campus mandatory fees in 2009-10, after the \$978 increase in SUF, were primarily the result of fees for construction of new student recreation centers or student union buildings, or the addition or expansion of athletics programs. Some campuses have authorized annual incremental fee increases tied to the California Price Index.

The 2009-10 CSU comparison institution academic year resident, *undergraduate*, student fees are provided below. CSU continues to maintain one of the lowest undergraduate fees among the 15 comparison public institutions. The 2009-10 comparison institution student fee average is \$8,054 and the CSU student fee average is \$4,893. The following table lists the 2009-10 fee rates and a comparison to 2008-09 fee rates:

<b>2009-10 CSU Comparison Institution</b>				
<b>Academic Year Resident Undergraduate, Student Fee Levels</b>				
	<b>2008-09</b>	<b>2009-10</b>	<b>2009-10 Increase</b>	
Rutgers University (Newark, NJ)	\$10,800	\$11,886	\$1,086	10%
Illinois State University (Normal, IL)	\$9,814	\$10,531	\$717	7%
University of Connecticut (Storrs, CT)	\$9,338	\$9,886	\$548	6%
Wayne State University (Detroit, MI)	\$8,751	\$9,272	\$521	6%
University of Maryland, Baltimore County	\$8,780	\$8,872	\$92	1%
University of Wisconsin at Milwaukee	\$7,905	\$8,522	\$617	8%
University of Texas at Arlington	\$7,780	\$8,186	\$406	5%
<b>Comparison Average<sup>1</sup></b>	<b>\$7,516</b>	<b>\$8,054</b>	<b>\$538</b>	<b>7%</b>
George Mason University (Fairfax, VA)	\$7,512	\$8,024	\$512	7%
Cleveland State University	\$7,920	\$7,920	\$0	0%
Georgia State University at Atlanta	\$6,056	\$7,298	\$1,242	21%
Arizona State University at Tempe	\$5,664	\$6,846	\$1,182	21%
State University of New York at Albany	\$6,087	\$6,698	\$611	10%
University of Colorado at Denver	\$6,348	\$6,542	\$194	3%
North Carolina State University	\$5,274	\$5,474	\$200	4%
<b>California State University</b>	<b>\$3,849</b>	<b>\$4,893</b>	<b>\$1,044</b>	<b>27%</b>
University of Nevada at Reno	\$4,711	\$4,856	\$145	3%
<sup>1</sup> Comparison Average Does Not Include CSU				

The 2009-10 CSU comparison institution *graduate and nonresident* undergraduate students fees are listed with prior year fee levels in the tables that follow. CSU has the lowest *graduate* fees among comparison institutions. The 2009-10 comparison institutions graduate student fee average is \$10,759 and CSU's graduate student fee average is \$5,829.

<b>2009-10 CSU Comparison Institution</b>				
<b>Academic Year Resident Graduate, Student Fee Levels</b>				
	<b>2008-09</b>	<b>2009-10</b>	<b>2009-10 Increase</b>	
University of Maryland, Baltimore County	\$15,840	\$16,470	\$630	4%
Rutgers University (Newark, NJ)	\$14,619	\$15,429	\$810	6%
Wayne State University (Detroit, MI)	\$14,214	\$15,078	\$864	6%
George Mason University (Fairfax, VA)	\$11,100	\$13,440	\$2,340	21%
Cleveland State University	\$11,420	\$11,420	\$0	0%
University of Connecticut (Storrs, CT)	\$10,594	\$11,226	\$632	6%
University of Wisconsin at Milwaukee	\$10,382	\$10,818	\$436	4%
<b>Comparison Average<sup>1</sup></b>	<b>\$9,931</b>	<b>\$10,759</b>	<b>\$828</b>	<b>8%</b>
State University of New York at Albany	\$8,282	\$9,542	\$1,260	15%
University of Colorado at Denver	\$9,455	\$9,491	\$36	0%
Georgia State University at Atlanta	\$6,922	\$9,340	\$2,418	35%
University of Texas at Arlington	\$8,710	\$9,200	\$490	6%
Illinois State University (Normal, IL)	\$7,932	\$8,851	\$919	12%
Arizona State University at Tempe	\$7,044	\$7,976	\$932	13%
University of Nevada at Reno	\$6,766	\$7,165	\$399	6%
North Carolina State University	\$5,692	\$5,940	\$248	4%
<b>California State University</b>	<b>\$4,557</b>	<b>\$5,829</b>	<b>\$1,272</b>	<b>28%</b>
<sup>1</sup> Comparison Average Does Not Include CSU				

Non-resident undergraduate tuition plus State University Fee at \$16,053 is in the bottom one-fifth when compared to our public comparison institutions.

<b>2009-10 CSU Comparison Institution</b>				
<b>Academic Year Non-Resident Undergraduate, Student Fee Levels</b>				
	<b>2008-09</b>	<b>2009-10</b>	<b>2009-10 Increase</b>	
Georgia State University at Atlanta	\$20,624	\$25,508	\$4,884	24%
University of Connecticut (Storrs, CT)	\$24,050	\$25,486	\$1,436	6%
George Mason University (Fairfax, VA)	\$21,648	\$24,008	\$2,360	11%
Rutgers University (Newark, NJ)	\$21,014	\$22,796	\$1,782	8%
Wayne State University (Detroit, MI)	\$18,888	\$20,003	\$1,115	6%
Arizona State University at Tempe	\$17,952	\$19,630	\$1,678	9%
University of Colorado at Denver	\$19,251	\$19,574	\$324	2%
<b>Comparison Average<sup>1</sup></b>	<b>\$18,017</b>	<b>\$19,297</b>	<b>\$1,280</b>	<b>7%</b>
University of Wisconsin at Milwaukee	\$17,815	\$18,251	\$436	2%
University of Maryland, Baltimore County	\$17,512	\$18,213	\$701	4%
North Carolina State University	\$17,572	\$17,959	\$387	2%
University of Nevada at Reno	\$15,805	\$17,196	\$1,391	9%
Illinois State University (Normal, IL)	\$16,444	\$16,561	\$117	1%
University of Texas at Arlington	\$16,210	\$16,496	\$286	2%
<b>California State University</b>	<b>\$14,019</b>	<b>\$16,053</b>	<b>\$2,034</b>	<b>15%</b>
State University of New York at Albany	\$12,347	\$14,598	\$2,251	18%
Cleveland State University	\$13,127	\$13,178	\$51	0%
<sup>1</sup> Comparison Average Does Not Include CSU				

## COMMITTEE ON FINANCE

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

#### **Presentation By**

George V. Ashkar  
Interim 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 commercial paper program of the California State University in an aggregate amount not-to-exceed \$136,495,000 to provide funds for three campus projects: Northridge Student Recreation Center, San Luis Obispo Recreation Center Expansion, and San Marcos Public Safety Building. The Board is asked to approve a set of resolutions relating to these projects. 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 are as follows:

#### **1. Northridge Student Recreation Center**

In May 2008, the Board approved the amendment of the non-state capital outlay program and in September 2008 the Board also approved schematics for the student recreation center project. The project will involve the construction of an approximately 119,000 gross square foot student recreation center and an outdoor pool located on the east side of the campus. The indoor facility will include cardio fitness and weight training rooms, three basketball courts, workout studios, a racquetball court, an indoor running track, locker rooms, and administrative offices. The building will be constructed on a portion of an existing 839 space surface parking lot, displacing over 350 parking spaces, which already have been replaced by the completion of the adjacent G3 parking structure in early 2009. The building is being designed to achieve a LEED silver certification. In fall 2007, students approved a fee structure referendum to provide a revenue source for the project, whereby the existing student union fee would be increased gradually from \$240 per year in 2006-07 to \$506 per year by 2012-13.

The not-to-exceed par value of the proposed bonds is \$49,750,000 and is based on a total project cost of \$59,399,000, with a campus student union reserve contribution of \$19 million.

Additional financing costs are to be funded from the bond proceeds. The project delivery method is Construction Manager at Risk. The campus received good construction bids in September 2009. The campus anticipates a construction start of December 2009 with an estimated completion in December 2011.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$49,750,000
Amortization	Approximately level over 30 years
Pro-forma maximum annual debt service	\$3,653,203
Projected debt service coverage including the new project: <sup>1</sup>	
Net revenue – All Northridge pledged revenue programs:	1.39
Net revenue – Projected for the campus student union program:	1.21

1. Projected information – Combines 2008-09 unaudited information for the campus-pledged revenue programs and 2012-13 operations of the project with expected full debt service.

The not-to-exceed amount for the project, the maximum annual debt service, and the ratios above are based on an all-in interest cost of 6.59%, reflective of mid-2009 market conditions plus 100 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 1.21 times projected program net revenue debt service coverage in the first full year of operations in 2012-13, which exceeds the CSU benchmark of 1.10. With the new project, the campus' overall projected net revenue debt service coverage for the first full year of operations is 1.39 times which exceeds the CSU's 1.35 times debt service campus benchmark.

## 2. San Luis Obispo Recreation Center Expansion

In November 2008, the Board approved the amendment of the non-state capital outlay program and in January 2009 the Board also approved schematics for the recreation center project. The project will involve the construction of an addition of approximately 100,000 gross square feet to the existing recreation center (approximately 95,000 gross square feet) which will have a portion (approximately 30,000 gross square feet) demolished for the placement of the project. The new and renovated facility will be approximately 165,000 gross square feet. The project will add a lobby, a two-court gymnasium, a multi-activity court, a weight/fitness area, exercise rooms, a wellness center, an indoor jogging track, a recreation pool and administrative offices. The building is designed to achieve a LEED silver certification. In February 2008, the students passed a referendum increasing the student union fee to support the funding for the project.

The not-to-exceed par value of the proposed bonds is \$80,770,000 and is based on a total project cost of \$65,700,000. Additional financing costs are to be funded from the bond proceeds. The project delivery method is Construction Manager at Risk. The campus received good construction bids in September 2009. The campus anticipates a construction start of January 2010 with an estimated completion in December 2011.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$80,770,000
Amortization	Approximately level over 30 years
Pro-forma maximum annual debt service	\$5,930,482
Projected debt service coverage including the new project: <sup>1</sup>	
Net revenue – All San Luis Obispo pledged revenue programs:	1.85
Net revenue – Projected for the campus student program:	1.34

1. Projected information – Combines 2008-09 unaudited information for the campus-pledged revenue programs and 2012-13 operations of the project with expected full debt service.

The not-to-exceed amount for the project, the maximum annual debt service, and the ratios above are based on an all-in interest cost of 6.59%, reflective of mid-2009 market conditions plus 100 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 1.34 times projected program net revenue debt service coverage in the first full year of operations in 2012-13, 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 1.85 times which exceeds the CSU's 1.35 times debt service coverage campus benchmark.

### **3. San Marcos Public Safety Building**

In November 2007, the Board approved the amendment of the non-state capital outlay program and in March 2009 the Board also approved schematics for the San Marcos public safety building project. The project will involve the construction of an approximately 13,000 gross square foot facility to house the parking and commuter services, university police, and emergency management departments. The project will be located at the corner of La Moree and Barham Drive on the northeast corner of the campus, adjacent to the new San Diego North County Transit District (NCTD) light rail line station and a primary entry point to the campus. The building is designed to achieve a LEED gold certification.

The not-to-exceed par value of the proposed bonds is \$5,975,000 and is based on a total project cost of \$6,047,000 with a campus parking reserve contribution of \$850,000. Additional financing costs are to be funded from the bond proceeds. The project delivery method is Design-Bid-Build. The campus received good construction bids in September 2009. The campus anticipates a construction start of January 2010 with an estimated completion in February 2011.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$5,975,000
Amortization	Approximately level over 30 years
Pro-forma maximum annual debt service	\$439,745
Projected debt service coverage including the new project: <sup>1</sup>	
Net revenue – All San Marcos pledged revenue programs:	1.47
Net revenue – Projected for the campus parking program:	1.10

1. Projected information – Combines 2008-09 unaudited information for the campus-pledged revenue programs and 2011-12 operations of the project with expected full debt service.

The not-to-exceed amount for the project, the maximum annual debt service, and the ratios above are based on an all-in interest cost of 6.60%, reflective of mid-2009 market conditions plus 100 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 1.10 times projected program net revenue debt service coverage in the first full year of operations in 2011-12, which meets the CSU benchmark of 1.10. With the new project, the campus' overall projected net revenue debt service coverage for the first full year of operations is 1.47 times which exceeds the CSU's 1.35 times debt service campus benchmark.

**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 \$136,495,000 and certain actions relating thereto.

2. Provide a delegation to the Chancellor; the Executive Vice Chancellor and Chief Financial Officer; the Interim 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.

Approval of the financing resolutions for the projects as described in this Agenda Item 4 of the Committee on Finance at the November 17-18, 2009, meeting of the CSU Board of Trustees is recommended for:

**Northridge Student Recreation Center**

**San Luis Obispo Recreation Center Expansion**

**San Marcos Public Safety Building**

## **COMMITTEE ON FINANCE**

### **Bond Financing Update**

#### **Presentation By**

Benjamin F. Quillian  
Executive Vice Chancellor and  
Chief Financial Officer

Elvyra San Juan  
Assistant Vice Chancellor  
Capital Planning, Design and Construction

#### **Summary**

This item presents an update to CSU's Systemwide Revenue Bond program bond rating, and the Lease Revenue Bond program used on occasion to fund the State Funded Capital Outlay Program.

#### **CSU's Bond Rating Update**

On March 13, 2002, the Board of Trustees adopted the Systemwide Revenue Bond (SRB) program as University's primary mechanism to finance long-term, non-state capital projects. Under the SRB, various revenue generating projects are pooled and financed by periodic bond issuances. All debt issued under the SRB program is secured by a pledge of gross revenues from the projects financed (student housing, parking, student union, etc.).

The SRB program has been recognized by CSU as a more efficient borrowing structure that provides improved flexibility in managing cash flows to operate enterprise activities and debt service obligations. Prior to the SRB, the Board of Trustees had financed long-term capital projects by issuing separate series of bonds relating to individual projects, or several similar projects, which were secured only by campus' gross revenues generated within a specified program (housing, parking, student union, etc.). The SRB program is subject to the policy and procedures defined in Executive Order 994 pursuant to the State University Revenue Bond Act of 1947, Sections 90010-90081 of the California Education Code.

Currently, the SRB is rated Aa3, with a stable outlook, from Moody's Investors Service (Moody's), and A+, with a stable outlook, from Standard & Poor's Rating Services (S&P). In October 2009, Moody's affirmed the Aa3 rating and assigned the stable outlook, removing the SRB program rating from its watchlist. In affirming the SRB program debt rating, Moody's

cited CSU's ability to manage cuts in State funding, its liquidity position, and the strength of the pledged revenue sources of the SRB, which are independent from State funding sources, as key factors. In February 2009, S&P affirmed the A+ rating, citing continued solid demand for CSU programs, but moved the outlook from positive to stable due to State funding concerns. The ratings benefit CSU by resulting in lower interest rates for long-term debt, and therefore lower financing costs for SRB financed projects.

### **Lease Revenue Bond Financing for State Funded Capital Outlay Projects**

When the Legislature and the voters do not approve the use of general obligation bond funds to finance the CSU's capital outlay program, the Legislature, on occasion, has voted to support the use of lease revenue bond funds to finance the program. Currently, 64 projects are funded via this financing program, with bonds sold this spring for Monterey Bay's library being CSU's most recent lease revenue bond sale. Total base rental (debt service) projected for 2010-2011 for these State-funded capital outlay projects is \$72.56 million and includes an increase to fund (including reimbursement of university costs) the design and construction of the San Francisco State Joint Library: J. Paul Leonard Library and Sutro State Library scheduled for a November 19, 2009 bond sale. These base rental payments are part of the annual CSU Support Budget request.

As the Board will recall, in December 2008 CSU shut down most of its State-funded construction projects as a result of the State's fiscal and cash shortage crisis. The State's process to provide interim financing via the State Pooled Money Investment Account (PMIA) prior to the sale of general obligation bonds and/or lease revenue bonds has changed since last year's unprecedented event. As a result of the cash shortage to pay design and construction invoices, the State has moved to minimize the use of interim loans from the PMIA to a preference of selling bonds to generate the upfront cash to pay vendor invoices.

As a result of this change, the Department of Finance has indicated that five projects approved by the Governor and Legislature in the 2008-2009 budget are not scheduled for bond sale until 2013. The five projects are:

1) Bakersfield	Art Center and Satellite Plant	WC	\$17,681,000
2) Channel Islands	Classroom/Faculty Office Reno/Addition	C	\$29,686,000
3) Maritime Academy	Physical Education Replacement	PWC	\$34,751,000
4) Monterey Bay	Academic II	PWC	\$40,599,000
5) San Luis Obispo	Center for Science	C	\$101,071,000

Efforts are ongoing to secure funding for these projects earlier than currently scheduled. Approval to proceed will generate economic stimulus for the California economy and provide much needed campus facilities.