AGENDA

AD HOC COMMITTEE ON TECHNOLOGY UTILIZATION

Meeting: 1:00 p.m., Tuesday, March 17, 1998
Auditorium

Martha C. Fallgatter, Chair
Bernard Goldstein
James H. Gray
Eric C. Mitchell
Ali C. Razi
Stanley T. Wang

Consent Item
Approval of Minutes of Meeting of January 27, 1998

Discussion Item
AD HOC COMMITTEE ON TECHNOLOGY UTILIZATION


Presentation By
Charles B. Reed
Chancellor

Richard P. West
Senior Vice Chancellor,
Business and Finance

Summary
Since October 1996, the CSU has been pursuing the creation of a strategic alliance with private corporations aimed at providing faculty, students and staff at all California State University campuses with reasonably similar access to technology infrastructure capabilities and resources (network, hardware, software access, and user training and support) as part of the Integrated Technology Strategy (ITS). The process for selecting a corporate partnership team was completed and the selected team, comprised of GTE, Fujitsu, Hughes and Microsoft, was announced at the September Board of Trustees’ meeting.

An update regarding negotiations with the industry partners will be presented to the board. If negotiations have been completed, the details of the partnership agreement will be presented to the board.
MINUTES OF MEETING OF
AD HOC COMMITTEE ON TECHNOLOGY UTILIZATION

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

January 27, 1998

Members Present
Martha C. Fallgatter, Chair
Bernard Goldstein
James H. Gray
Eric C. Mitchell
Ali C. Razi
Stanley T. Wang

Other Trustees Present
Gray Davis, Lt. Governor
William D. Campbell
Jim Considine
Laurence K. Gould, Jr.
Maridel Moulton
Joan Otomo-Corgel
Ralph R. Pesqueira
Alice S. Petrossian
Michael D. Stennis
Anthony M. Vitti

Chancellor’s Office Staff
June M. Cooper, Senior Vice Chancellor and Interim Chief of Staff
Charles W. Lindahl, Interim Senior Vice Chancellor, Academic Affairs
Richard P. West, Senior Vice Chancellor, Business and Finance
Christine Helwick, General Counsel
Thomas W. West, Assistant Vice Chancellor, Information Resources and Technology

Others Present
Barry Munitz, Immediate Past Chancellor
Charles B. Reed, Chancellor Designate

Presidential Liaisons
Ruben Armiñana, President, Sonoma State University, present
Warren J. Baker, President, California Polytechnic State University, San Luis Obispo, present
Milton A. Gordon, President, California State University, Fullerton, present
James M. Rosser, President, California State University, Los Angeles, present
John D. Welty, President, California State University, Fresno, present
Blenda J. Wilson, President, California State University, Northridge, present
Chair Fallgatter called the meeting to order at 4:30 p.m.

Approval of Minutes

The minutes of November 11, 1997, were approved as a consent item.
The minutes of January 12, 1998, were distributed and approved as a consent item.

Update on the ITS Technology Infrastructure Initiative and the Partnership

Chair Fallgatter announced that the industry partners had requested additional time to address issues related to the financial plan. Formal negotiations are due to resume on February 11. Tom West has reached agreement with partner representatives that the CSU will be given 45 days for consultation with stakeholders once negotiations have been completed. This will permit time for review of the final agreement and for synthesizing and reporting the results back to constituents. As a result of these changes, and to ensure that Chancellor Designate Reed assumes office before finalizing the contract, this committee postponed action on the partnership agreement and the board will delay ratification until May.

Senior Vice Chancellor Richard West said that a thorough review of the partnership business plan had taken place at the meeting of this committee on January 12. Since that meeting, Chancellor Designate Reed has been briefed extensively on the details of the project, and the agreements and business plan have been reviewed with the Technology Steering Committee and the Executive Council. On January 6 there was a legislative hearing on the plan and a series of questions were identified. On January 12 leaders of the Statewide Academic Senate, the California State Student Association and employee unions met to clarify issues of concern to their respective constituencies. Staff have been asked to draft responses to the questions raised at these meetings. A second legislative hearing will take place, probably in late February or early March. Full and complete information about the partnership agreements will be available in March thus permitting adequate time for review and comments to the board. Richard West concluded by summarizing the financial plan presented at the January 12 meeting.

Gwynna Morris, president of the CSU Alumni Council, informed the committee that the council had considered the CETI initiative and had prepared a position statement which was distributed at the meeting.

Trustee Goldstein expressed appreciation to Barry Munitz and Charles Reed for their willingness to allow CSU constituencies adequate time to examine carefully the questions that have arisen about the partnership.

Lt. Governor Davis said in principle the proposed partnership is the right way to go. He asked whether a third party would be asked to validate to the board that the arrangement the CSU has negotiated is, in fact, a good deal for the CSU and for the taxpayers of the state. Chair Fallgatter said that because board members shared this concern, an attorney with the requisite expertise had been hired to evaluate the deal that had been negotiated and to provide expert advice to the CSU. Lt. Governor Davis acknowledged the value of such guidance in strengthening the CSU negotiating position but emphasized that the need for an assessment that the value the CSU will receive is appropriate.

Trustee Gray commented that this partnership is so unique it would be difficult to find investment bankers able do much more than examine the parameters of the agreement. Lt. Governor Davis reemphasized the need to evaluate the financial aspects of the arrangements because, generally, the public sector does not negotiate a preferable arrangement with the private sector. Chancellor Munitz acknowledged the concern about external validation.
Lt. Governor Davis conceded that the agreement as described offered adequate protection against the downside and that the CSU will get the technology it needs with very little, but he expressed concern that the return to the partners may be much greater than projected, and that the CSU may be accused of having given away the store if the partnership works well. Chancellor Designate Reed said the CSU would renegotiate the participation rate if that occurs, as explicitly provided for in the agreement. It would be preferable, Lt. Governor Davis said, to negotiate in advance a specific level of return beyond which the CSU would participate at a higher rate, should this threshold be exceeded. Chancellor Munitz assured Lt. Governor Davis that this had, in fact, already been agreed to.

Trustee Gray said that the CETI partnership is structured in such a way that the better the partnership does, the better the CSU does. He is comfortable with this partnership agreement because the downside is limited, the CSU gets the infrastructure, and will share in the upside. Lt. Governor Davis said his concern is the extent to which the CSU will share in the return, and whether the CSU share would increase as the rate of return increases. Chancellor Munitz said the CSU can negotiate an increasing share of the return on investment, to the extent it is willing to increase its share of risk and its up-front investment. Chancellor Munitz emphasized that the CSU has chosen to bring close to zero the risk and the investment and, therefore, it is fair to the other side of the partnership to give them the stronger ride up for their risk and for their investment. Chancellor Munitz concluded that to be absolutely safe and minimally invested on the front end, we have capped a bit our participation down the road.

Trustee Wang asked about the status of the 100 questions about CETI distributed at the meeting. Assistant Vice Chancellor West said staff would provide to Chancellor Designate Reed by Thursday a draft response to the 100 questions raised by CSU constituency groups convened by the Academic Senate. Forty-two of these questions are virtually identical to some of the 110 questions asked at the joint legislative hearing in January. Answers to both sets of questions will be sent to Chancellor Designate Reed by Monday. Trustees will get a copy of the answers once they have been approved and returned to the persons who initiated the requests.

Adjournment
Chair Fallgatter adjourned the meeting at 4:55 p.m.

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