

AGENDA

COMMITTEE ON FINANCE

**Meeting: 2:00 p.m., Tuesday, September 11, 2001
Glenn S. Dumke Conference Center**

William Hauck, Chair
Murray L. Galinson, Vice Chair
Robert G. Foster
Harold Goldwhite
Shailesh J. Mehta
Dee Dee Myers
Frederick W. Pierce IV
Kyriakos Tsakopoulos
Stanley T. Wang

Consent Items

Approval of Minutes of Meeting of July 10, 2001

1. 2001/2002 Support Budget-Final Budget Summary, *Information*

Discussion Items

2. Status Report on the 2002/2003 Support Budget and Recommended Lottery Revenue Budget, *Information*
3. Auxiliary Organization Tax-Exempt Financing at California State University, Sacramento, *Information*
4. Approval to Issue Debt Instruments Including by Bonds of the California State University, Sacramento Parking Revenue Bond System for Parking Structure II at California State University, Sacramento and Related Matters, *Action*
5. Approval to Issue Debt Instruments Including Revenue Bonds for the Sonoma State Student Union Recreation Center, and Related Matters, *Action*
6. Approval to Issue Debt Instruments Including by Bonds of the California State University Housing Revenue Bond System For an Apartment Complex (Phase II) at California State University, San Bernardino and Related Matters, *Action*
7. Real Property Development Update—Faculty and Staff Housing, California Polytechnic State University, San Luis Obispo, *Information*
8. Development Project at San Jose State University for a Campus Housing and Retail Village, *Information*
9. California State University Annual Investment Report, *Information*

**MINUTES OF THE MEETING OF
COMMITTEE ON FINANCE
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California**

July 10, 2001

Members Present

William Hauck, Chair
Murray L. Galinson, Vice Chair
Laurence K. Gould, Jr., Chair of the Board
Harold Goldwhite
Shailesh J. Mehta
Dee Dee Myers
Frederick W. Pierce, IV
Charles B. Reed, Chancellor
Kyriakos Tsakopoulos
Stanley T. Wang

Members Absent

Bob Foster

Chancellor's Office Staff

David S. Spence, Executive Vice Chancellor and Chief Academic Officer
Richard P. West, Executive Vice Chancellor and Chief Financial Officer
Louis Caldera, Vice Chancellor, University Advancement
Jackie R. McClain, Vice Chancellor, Human Resources
Christine Helwick, General Counsel

Approval of Minutes

The minutes of May 15, 2001 were approved.

Chair Hauck called the meeting to order at 2:27 p.m.

Status Report on the 2001-2002 Support Budget Update

Mr. Richard P. West, Executive Vice Chancellor and Chief Financial Officer presented the report. He confirmed that no budget had yet been approved, but it was hoped a final budget would be passed shortly.

Mr. West then referred to the handout distributed at the meeting containing new information on actions of the legislature since the previous board meeting in May. He indicated there were no significant changes, aside from a small increase over the May Revise budget, primarily in the area of workforce preparation.

Mr. West concluded by saying there was general optimism the final budget would be acted upon soon with little, if any, change to the figures contained in the May Revise.

Selection of Investment Manager and Advisor

Mr. West briefly reviewed the history of the California State University's investment management function.

In 1997, the Board of Trustees approved the creation of a centralized investment management function. Mr. West explained the monies involved in the investment management program are held by the CSU and are obtained from various fee revenue producing functions of one type or another. These funds can fluctuate between \$200 to \$225 million worth of cash investments at any given time.

The contract with Metropolitan West, our current Investment Manager, is due to expire. A request for proposal was prepared and three bids were received, one of which was from Metropolitan West. Upon review by the selection committee, Metropolitan West was again determined to be the most competitive from both a service and price point of view. Mr. West reinforced that service has been good over the life of the current contract term, and performance of our funds managed by Metropolitan West has been steady and reliable. He added this has been a welcome partnership for the CSU as we learn to manage our cash more efficiently, and said he was pleased to recommend that the university continue the partnership with another multi-year agreement.

Trustee Mehta supported Mr. West's recommendation saying he was impressed with Metropolitan West's qualifications and with his own interaction with members of their staff.

The committee recommended approval of the proposed resolution (RFIN 07-01-13).

Auxiliary Organization Tax Exempt Financing at California State University, Los Angeles, Update

Subsequent to its initial review at the March, 2001 meeting, the campus received several construction bids on the project; with the lowest bid slightly higher than anticipated. After consultation with the campus president and the campus' auxiliary organization, the marginal difference in financing (slightly over \$ 3 million) was approved and the project will continue to proceed as planned.

The meeting adjourned at 2:32 p.m.

COMMITTEE ON FINANCE

2001/2002 Support Budget-Final Budget Summary

Presentation By:

Richard P. West
Executive Vice Chancellor
and Chief Financial Officer

Summary

**Three Year Budget Summary and 2001/02 Final Budget Details
(based on 2001 Final Budget Allocation Memo)**

	1999/2000 Actual	2000/2001 Adjusted	2001/02 Final Budget
General Fund Appropriations	\$2,175,380,000	\$2,446,717,000	\$2,607,425,000
Revenue	634,603,000	655,472,000	679,118,000
Reimbursements	147,448,000	143,495,000	144,180,000
Total, CSU Appropriations Request	<u>\$2,957,431,000</u>	<u>\$3,245,684,000</u>	<u>\$3,430,723,000</u>

The 2001/02 Budget Act provides \$2.6 billion in State General Fund support. Additionally, CSU will receive \$506.9 million in projected State University Fee revenue and \$308.5 million in other revenue and reimbursements. CSU revenue and reimbursement projections will be adjusted by the campuses in their Final Budget submissions for 2001/02.

The 2001/02 budget increase over the prior year totals \$222.6 million. The Final Budget provides General Fund (\$12.4 million) and State University Fee revenue support (\$5.4 million) to fund state-supported YRO summer enrollment conversion at 4 campuses. It also funds a 3 percent increase (8,760 FTES) over CSU's targeted 2000/01 FTES enrollment level (\$55.7 million general fund and \$17.8 million state university fee income). The Final Budget also funds additional YRO conversion (1,977 FTES) at 6 campuses from base budget resources provided in the 2000/01 Budget Act.

2001/02 CSU Requested Budget Support Versus Final Budget Revenue Increases

Sources of Funds	BOT Nov. 99 Amended Request	2001/02 Final Budget	Difference
General Fund-New Expenditure Funding	340,685,000	196,204,000	(144,481,000)
Net Student Fee Income- State University Fee	23,646,000	26,424,000*	2,778,000
Total	<u>\$364,331,000</u>	<u>\$222,628,000</u>	<u>\$(141,703,000)</u>

**This amount differs from the Budget Act increase previously reported primarily to recognize increased fee revenue that will be received and is necessary to fund fully the conversion of self-support enrollment to state support.*

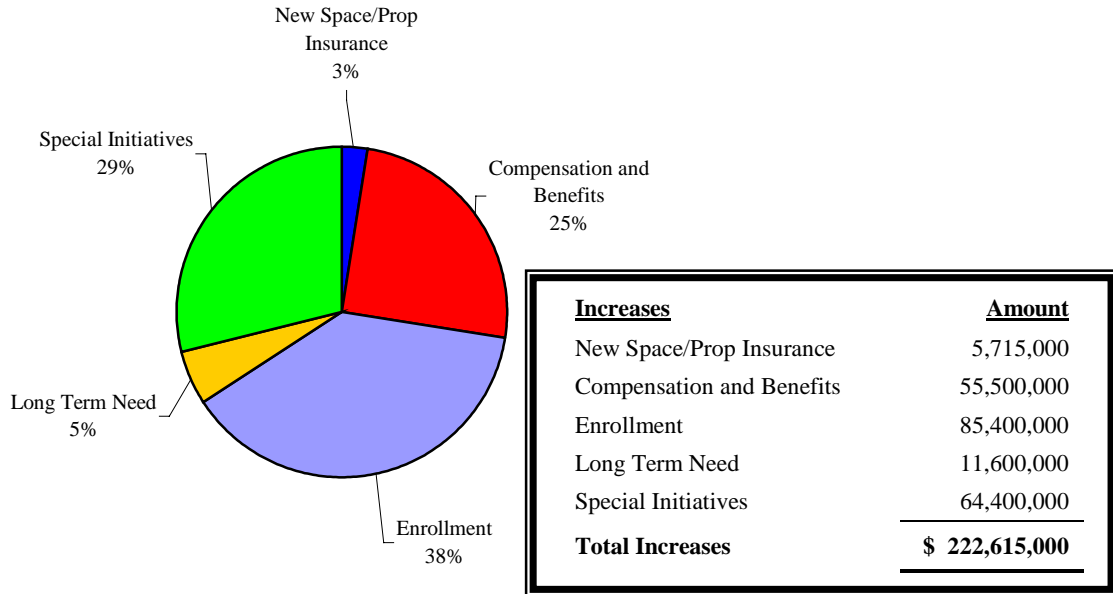
The CSU budget request, approved by the Board of Trustees in October 2000, was based on the partnership agreement negotiated with Governor Davis for CSU and UC. The Board of Trustees' budget was amended in November 2000 to reflect the most recent State budget calculations and funding assumptions. The Final Budget reduced the annual partnership increase from 5 percent to 2 percent due to a shortfall in state revenue. State investments above the partnership were included in the final budget for a total of \$62.7 million. Examples of items included in the \$62.7 million are \$17.5 million for the Governor's Teaching Fellowships full-year costs, \$6 million for the Governor's K-12 Technology Training Initiative, and \$34.1 million for natural gas cost increases.

In accordance with budget priorities established by the Board of Trustees in consultation with the Chancellor and presidents, the budget plan for 2001/02 allocates the majority of appropriated increases for enrollment growth and employee compensation. The 2001/02 expenditure increases from the state general fund and CSU revenue sources were allocated in the following areas based on the Board of Trustees' and the state's 2001/02 budget priorities:

- New Space (\$5.1 million), which provides funding for new space opening on the campuses;
- Property Insurance (\$615,000), which provides an offset towards campus costs for insurance premiums that carry a \$100,000 deductible for each covered incident;
- Compensation and Benefits (\$55.5 million), which provides a 2 percent general compensation pool increase for all employees based on collective bargaining agreements, full-year compensation costs for 2000/01 service based, salary increases, and employee/annuitant health and dental benefit rate increases;

- Enrollment Growth (\$85.4 million), which funds the 2001/02 marginal cost of 3 percent enrollment growth, 8,760 full-time equivalent students, YRO summer enrollment conversion, financial aid grant and waiver increases;
- Long-Term Budget Need (\$11.6 million), which provides funding to address continuing costs associated with the Integrated Technology Strategy (ITS) telecommunications infrastructure build-out;
- Special Initiatives (\$64.4 million) that include:
 - Governor's Initiatives (\$23.5 million): Governor's Teaching Fellowships Full Year Costs (\$17.5 million) and K-12 Technology Training Initiative (\$6 million);
 - Other State Investments (\$19.8 million): Channel Islands (\$3 million), Marine Studies (\$500,000), Central Valley Economic Incubator (\$650,000), Natural Gas Cost Increase (\$15,523,000) and additional operating support for the Center for California Studies at CSU, Sacramento (\$114,000);
 - One-time funding (\$18.9 million) for: Natural Gas Cost Increase for 2000/01 (\$18.6 million), CSUPERB-Pasadena (\$200,000), and SFSU Labor Art Exhibit (\$100,000);
 - General fund backfill for expiring Goals 2000 federal funding for CalTeach (\$500,000), CPEC Eligibility Study (\$28,000);
 - Systemwide funding for state mandated fee waivers and several minor budget adjustments to fully fund required expenditure increases totaling \$1.7 million.

**Percentage Distribution of Final Budget
 Expenditure Increases**



NEW SPACE/PROPERTY INSURANCE

\$5.7 million

New space costs included in this continuing cost item reflect an increase for new space at twelve campuses. Funds will support additional costs for utilities and building maintenance for 790,745 square feet at a rate of \$6.45 per square foot. Property insurance is included as an offset towards campus costs for insurance premiums.

COMPENSATION AND BENEFITS

\$55.5 million

The Board of Trustees included in its budget request a 4 percent compensation pool for all employees and an additional 2 percent compensation supplement for faculty and staff. The 2001/02 Final Budget includes the equivalent of a 2 percent pool for all employees, or \$40.8 million. In addition to the 2 percent pool, compensation costs will increase by \$1.5 million to fund the full-year costs of FY 2000/01 salary increases, \$11.1 million to cover the costs of health benefit rate increases for current employees, and \$2.1 million for dental annuitants.

ENROLLMENT

\$85.4 million

The Final Budget funds enrollment growth of 8,760 full-time equivalent students (FTES), a 3 percent increase over 2000/01 enrollment targets (\$62.5 million). This 3 percent enrollment growth is based on campus reported estimates of demand and analysis performed by the Chancellor's Office of Analytic Studies, in accordance with CSU enrollment policies. This increase is also consistent with postsecondary enrollment projections provided by the Department of Finance. For 2001/02, CSU has received funding for total projected enrollment growth in accordance with the state's marginal cost funding formula. Also included in the Final Budget is YRO state-supported conversion enrollment funding for 3,138 FTES.

State University Grants (SUGs) will increase by \$23.4 million in correlation with the projected increase in enrollment growth.

LONG TERM NEED

\$11.6 million

The higher education partnership provides a one percent increase in CSU General Fund appropriations to address critical, long-term need. Budget areas for support in 2001/02 included implementation costs associated with the Integrated Technology Strategy (ITS), acquisitions and electronic technology support for the Libraries, and continued reduction in the CSU deferred maintenance backlog. The Final Budget eliminates the one percent increase (\$23 million) that would have been provided for long-term need. CSU used other partnership resources provided for the budget year to address continuing costs associated with the ITS telecommunications build-out.

SPECIAL INITIATIVES

\$64.4 million

The Final Budget included \$64.4 million funding for the governor's initiatives and other state investments.

The governor's initiatives included (\$23.5 million): Full year costs for the Governor's Teaching Fellowships (\$17.5 million), and K-12 Technology Training Initiative (\$6 million).

Other state investments included (\$19.8 million): For Channel Islands, \$3 million is provided to complete the fixed cost start-up funding associated with the opening of the university; marine studies applied research and the Central Valley economic development activities (\$1.2 million); a permanent increase of \$114,000 for the Judicial Fellows program administered by the Center for California Studies at CSU, Sacramento; and \$15.5 million in permanent funding to offset gas rate increases in 2001/02.

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One-time funding was received (\$18.9 million) for: natural gas increases for 2000/01 (\$18.6 million), the CSUPERB research initiative in Pasadena (\$200,000), and an exhibit of labor art at SFSU (\$100,000).

Other Increases (\$528,000) for: GOALS 2000 federal funds previously available for CalTeach and to fund CSU costs associated with the California Postsecondary Education Commission's higher education eligibility study;

Adjustments (\$1.7 million): Systemwide funds for state-mandated waiver increases and minor program funding adjustments for required 2001/02 expenditure increases.

COMMITTEE ON FINANCE

Status Report on the 2002/2003 Support Budget and Recommended Lottery Revenue Budget

Presentation By

Richard P. West
Executive Vice Chancellor
and Chief Financial Officer

Summary

2002/03 Support Budget

This item is being presented to the Board of Trustees at this meeting as an information item and is scheduled for adoption at the special October budget meeting. A draft budget outline has been prepared for discussion with the Executive Council, the System Budget Advisory Committee and other CSU constituencies, which will be used to help establish system budget priorities and form the detailed plan to be discussed at the September board meeting. This draft budget proposal will be developed consistent with the Partnership agreement reached with Governor Davis.

The Board will be provided with handout material for discussion.

2002/03 Lottery Revenue Budget

The recommended 2002/03 Lottery Revenue Budget is also being presented to the Board of Trustees at this meeting as an information item and is scheduled for adoption at the special October budget meeting. The changes from previous budgets are an increase in the beginning balance and an increase in projected lottery receipts and interest payments.

Based on this historical information, we recommend that the budgeted beginning balance be increased from \$5 million to \$10 million in 2002/03. A slight increase in interest is also recommended based on actual interest payments received in the past five years.

Systemwide program funds will continue to be designated for the Forgivable Loan/Doctoral Incentive Program, California Pre-Doctoral Program and CSU Summer Arts. The remaining

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funds will be directed to campus-based programs and allocated directly to the campuses. An increase of \$5.1 million over the current year for campus-based programs is recommended.

In summary, a total of \$47.8 million is the proposed lottery budget for 2002/03. After deducting \$5 million for the systemwide reserve that is used for cash flow and as a hedge against potential downward fluctuations in revenue, \$42.8 million is recommended for programmatic use. Three system-designated programs remain (Forgivable Loan/Doctoral Incentive Program, Pre-Doctoral Program, and Summer Arts) and the rest of the dollars are recommended for campus-based programs.

DRAFT
2002/03 Lottery Revenue Budget

	2001/02	2002/03	2002/03	\$
	Adopted	Option 1	Option 2*	Difference
	Budget	Recommended	Recommended	between
		Budget	Budget	Option 1 and 2
<u>Sources of Funds</u>				
Beginning Balance	\$ 5,000,000	\$ 10,000,000	\$ 10,000,000	0
Receipts	36,000,000	36,000,000	36,000,000	0
Interest	1,700,000	1,800,000	1,800,000	0
Total Revenues	\$ 42,700,000	\$ 47,800,000	\$ 47,800,000	0
Less Systemwide Reserve	(5,000,000)	(5,000,000)	(5,000,000)	0
Total Available for Allocation	\$ 37,700,000	\$ 42,800,000	\$ 42,800,000	0
<u>Uses of Funds</u>				
Forgivable Loan/Doc Incentive	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	0
California Pre-Doctoral Program	633,000	633,000	664,500	31,500
CSU Summer Arts Program	1,200,000	1,200,000	1,600,000	400,000
Campus Based Programs	32,526,000	37,626,000	37,194,500	(431,500)
Systemwide Implem. Costs	341,000	341,000	341,000	0
Total Uses of Funds	\$ 37,700,000	\$ 42,800,000	\$ 42,800,000	0

*Option 2 includes increases in the Pre Doctoral and Summer Arts Program budgets.

COMMITTEE ON FINANCE

Auxiliary Organization Tax-Exempt Financing at California State University, Sacramento

Presentation By

Richard P. West
Executive Vice Chancellor
and Chief Financial Officer

Summary

The California State University, Sacramento Foundation, a recognized auxiliary organization in good standing at CSU Sacramento, is proposing a tax-exempt borrowing in an amount not to exceed \$7,000,000 to finance the planning and construction of the Regional and Continuing Education Facility consisting of a two-story building with approximately 33,932 square feet.

The financing transaction will not create any legal obligation of the State of California or the trustees. The auxiliary organization will issue the bonds pursuant to an indenture entered by the auxiliary organization and a bank serving as trustee for the bonds. The bonds are general corporate obligations of the Foundation and are secured by the agreements and revenues as set forth and defined in the indenture.

Subsequent to the review of this item by the Board of Trustees, the Chancellor will take the necessary action on behalf of the board to assist the auxiliary organization pursuant to the Chancellor's delegation in the Board of Trustees' policy for financing activities.

Project Description

The new building will be located on the southeast side of the University campus. The two-story building is expected to provide 33,932 square feet of administrative support, office, laboratory, lecture, and conference space. Primarily, Regional and Continuing Education (RCE) will use the laboratory and lecture space for support staff and course offerings. The new programs under construction include the statewide Conference and Training Services; American Languages Program; International Training Program; professional certificate program; academic degree completion program and an online education program.

Auxiliary Organization Tax-Exempt Financing

The bonds will be issued pursuant to an indenture entered into by the auxiliary organization and

a bank serving as trustee for the bonds. The bonds will be secured by the revenues of the RCE facility and a pledge of the Foundation's other revenues and assets. The following summarizes key information regarding the proposed financing:

Financed amount not-to exceed:	\$7,000,000
Term:	29 years
Estimated rate (all-inclusive cost):	5.30%*
Projected debt service coverage (Foundation revenue):	Ranging from 2.49-2.87
Projected debt service coverage (RCE revenue only):	Ranging from 1.68-3.03
Bond insurance commitment:	To Be Determined
Bond intrinsic rating before bond insurance:	To Be Determined
Financing Team:	
Underwriter:	A.G. Edwards & Sons, Inc.
Underwriter's Counsel	Kutak Rock
Bond & Disclosure Counsel:	Kronick, Moskovitz, Tiedemann & Girard
Trustee:	BNY Western Trust Company

* Preliminary, subject to change.

Other Information

On January 9, 1998, the IRS issued a private letter ruling permitting the categorization of certain auxiliary organizations as "instrumentalities of the state" for tax-exempt purposes. While the ruling relates to specific future auxiliary transactions not associated with this financing, Kronick, Moskovitz, Tiedemann & Girard (bond counsel and disclosure counsel for the transaction described herein) indicates that if the circumstances which form the basis of the ruling are similar in other auxiliary transactions, those transactions may also be accomplished under the more streamlined procedures.

Kronick, Moskovitz, Tiedemann & Girard has reviewed the circumstances for the proposed tax-exempt financing and determined that they are substantially similar to the circumstances in the private letter ruling. Therefore, the auxiliary organization may take advantage of the less restrictive

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provisions of the tax law and streamline some procedures that result in financing cost savings. The ruling also permits the subject organization to cause tax-exempt governmental obligations to be issued in its own name, without taking the additional steps and incurring the additional costs that are associated with the issuance of tax-exempt obligations through a third party governmental unit, which would be more complicated and costly.

Term:	Substantially equal payments over 25 years
Estimated all-in TIC rate, At time of bond sale:	5.36%
Projected debt service coverage, first year of operations:	2.53 times
Bond insurance commitment:	To be determined prior to bond sale issuance. Comparable bonds have qualified in the past.
Bond intrinsic rating before bond insurance:	To be determined prior to bond issuance. Comparable bonds are rated A1 by Moody's Rating Services.

The proposed bond sale amount includes a small contingency to accommodate market changes. At the time of bond sale, the bonds sold will be adjusted to meet market conditions, capitalized interest and other issuance costs. It is anticipated that the construction project will cost approximately \$10,762,000. The campus' parking program has provided a balanced financial plan that includes funding part of the project from parking reserves, with repayment of the debt funded from parking system revenue. The proposed bond sale amount contains a contingency for changes in market conditions or for a small construction project cost budget change. The campus financial plan fully supports the repayment of bonds at this not-to-exceed level. However, the sizing of the bond sale will be finalized at or below the not-to-exceed amount at the time of the sale so that only the necessary project and issuance costs and required reserves are funded.

Campus Parking Program

California State University, Sacramento current enrollment is approximately 19,700 full time students and 25,700 total enrollment. The campus' estimated annual growth is 500-700 FTE per year. The campus parking inventory is 10,162 spaces. Analysis provided by the campus Transportation and Parking Division anticipates a shortfall of over 1,200 spaces next year due to enrollment growth and parking spaces lost to campus construction projects. The construction of Parking Structure II will help reduce the shortage of parking on campus.

Proposed Facility

The Parking Structure II project will provide a 3-story post tension concrete facility with a capacity of 1,000 parking spaces. The project site is located southeast of the University Union in an existing surface parking lot. The financing is contingent upon receiving acceptable construction bids, which are expected in late August 2001.

Trustee Resolutions

The Board of Trustees is being asked to approve interim financing via bond anticipation notes and commercial paper to finance the project during the construction period. Additionally, the Board is being asked to approve the long-term bonds issued pursuant to a new campus parking program bond indenture to replace the interim debt and permanently finance the project. Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting 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 the California State University, Sacramento Bond Anticipation Notes and California State University, Sacramento Parking System Revenue Bonds in an amount not to exceed \$7,005,000 and certain actions relating thereto.
- (2) Provide for a delegation to authorize the chancellor, the executive vice chancellor and chief financial officer, 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.

Recommended Action

Approval of the resolutions presented at this meeting is recommended.

Estimated all-in TIC rate, at time of bond sale:	5.66%
Projected debt service coverage, first year of operations:	2.27 times
Bond insurance commitment:	To be determined prior to bond sale issuance. Comparable bonds have qualified in the past.
Bond intrinsic rating before bond insurance:	To be determined prior to bond issuance. Comparable bonds are rated A1 by Moody's Rating Services.

The proposed bond sale amount includes a small contingency to accommodate market changes. At the time of bond sale, the bonds sold will be adjusted to meet market conditions, capitalized interest and other issuance costs. It is anticipated that the construction project will cost approximately \$14,114,000. The campus' student union program has provided a balanced financial plan. Since bond anticipation notes and commercial paper are planned for interim financing during the construction period, it is expected that some additional savings will be achieved and the long-term bond size will be reduced accordingly.

Sonoma Student Union

The Sonoma Student Union Corporation is a non-profit auxiliary organization operating the student union facilities under contract to the Trustees and Sonoma State University. The original student union facility was opened to the campus in 1976. The current student union fee is \$126 per year (\$63 per semester). These fees are used to provide funding for principal and interest payments and the operation of the facility and its programs. Funding for construction of the student union was made possible by the issuance of bonds through the Trustees of the CSU system. These bonds mature in November 2001.

The student union and its programs are the center of student life for the campus. As such, students and staff of the student union began planning for a recreation center nearly a decade ago. Current space and facilities have become severely impacted thereby leading to further planning for a much more comprehensive program and facility. In November of 2000, the students of Sonoma State University voted to raise their student union fees to construct a student recreation center. The financial plan supporting the project assumes a modest increase in enrollment. Revenue projections are based on a 4% increase in enrollment each year. Further, the student union fee increase includes a provision for escalation due to inflation.

Proposed Facility

The Sonoma student union student recreation center project consists of an approximately 52,880 gross square foot facility to be located in the south-central area of the campus directly south of Darwin Hall. The facility is expected to provide areas for: aerobic and weight training, dance/activity studios, basketball courts, in-door soccer, lockers and showers, administrative offices, storage, meeting and conference rooms, and for other recreational activities.

Trustee Resolutions

The Board of Trustees is being asked to approve interim financing via bond anticipation notes and commercial paper to finance the project during the construction period. Additionally, the Board is being asked to approve the long-term bonds issued pursuant a supplemental resolution to replace the interim debt and permanently finance the project. Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting 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 the Sonoma State University Student Union Bond Anticipation Notes and the Sonoma State University Student Union Revenue Bonds, Series B, in an amount not to exceed \$16,400,000 and certain actions relating thereto.
- (2) Provide for a delegation to authorize the chancellor, the executive vice chancellor and chief financial officer, 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.

Recommended Action

Approval of the resolutions presented at this meeting is recommended.

COMMITTEE ON FINANCE

Approval to Issue Debt Instruments Including by Bonds of the California State University Housing Revenue Bond System For an Apartment Complex (Phase II) at California State University, San Bernardino and Related Matters

Presentation By

Richard K. Leffingwell
Senior Director
Financing and Treasury

Summary

This item requests the Board of Trustees to authorize the issuance of debt instruments to finance the construction of a student apartment complex (Phase II) at California State University, San Bernardino.

Background

The Board of Trustees is being requested to approve a financing for the planning, construction, and Group II equipment of the Coyote Apartments, Phase II, at California State University, San Bernardino. The campus has developed a comprehensive multi-year financial plan supporting the project. The debt service for the proposed bonds will be paid from revenue generated from campus student housing facilities, which includes existing residence halls with no outstanding indebtedness, and Phase I housing units funded by the issuance of Trustee bonds. Housing revenues from the systemwide dormitory revenue bond program will secure the new debt. The Housing Proposal Review Committee reviewed the housing plan in May 2001, and provided a positive recommendation for the project to the chancellor and the president of the university. In July 2001, the Board approved schematics for the project.

The interim financing for this project will be provided through bond anticipation notes and commercial paper. Permanent financing for the project will be provided through revenue bonds. This financing method will provide the Trustees the opportunity for borrowing at a lower interest cost in the short-term under the commercial paper program. Long-term revenue bonds will be issued at a later time after expected savings from the interim financing have been realized. The following summarizes key information on the proposed long-term housing system revenue bonds:

Not-to-exceed amount: \$ 18,725,000

Term:	Substantially equal payments over 30 years
Estimated all-in TIC rate:	5.28%
Projected debt service coverage, first year of operations:	1.4 times
Bond insurance commitment:	To be determined prior to bond sale issuance. Comparable bonds have qualified in the past.
Bond intrinsic rating before bond insurance:	To be determined prior to bond issuance. Comparable bonds are rated AA3 by Moody's Rating Services.

The proposed bond sale amount includes a small contingency to accommodate market changes. At the time of bond sale, the bonds sold will be adjusted to meet market conditions, capitalized interest and other issuance costs. It is anticipated that the planning, construction, and Group II equipment will cost approximately \$16,750,000. The proposed financing is consistent with the campus budget for repayment of debt service. Since bond anticipation notes and commercial paper are planned for interim financing during the construction period, it is expected that some additional savings will be achieved and the long-term bond size will be reduced accordingly.

Campus Housing Program

The campus currently has 406 spaces in Serrano Village and 320 spaces in the Coyote Apartments Phase I. Coyote Apartments Phase I was financed through the CSU Housing Revenue Bond Program. The Coyote Apartments Phase II will add an additional 319 spaces to meet the demand for campus housing that has exceeded available spaces for the past two years. A market study performed in 1998 by Ira Fink and Associates, an independent consultant, determined that there is considerable unmet demand for suite and apartment style student housing on the campus. The study used a conservative FTE target of 9,600 for academic year 2001/02 which was exceeded by approximately 1,400 FTE in the current academic year. Enrollment on the main campus in the 2002/03 academic year is expected to be 12,440 FTES. Existing housing units in Serrano Village and Coyote Apartments Phase I are all leased, and a waiting list has been made.

Proposed Facility

The Coyote Apartment Phase II project consists of one-bedroom/one bath, two-bedroom/two-bath, and four-bedroom/two-bath apartment units. The fully furnished apartments also include

areas for living and dining, plus a complete kitchen. The design of the two 2 and 3-story buildings will be compatible with existing campus architecture. The new buildings will be concrete slabs on grade construction, wood frame, exterior stucco with a durable and attractive tile roof. Open plazas, aesthetically pleasing exterior designs, and landscaping will provide a welcoming and attractive village environment. Each of the buildings will have an ADA compliant elevator and accessible units will be distributed throughout all three floors. The financing is contingent upon receiving acceptable construction bids, which are expected in early September 2001.

Trustee Resolutions

The Board of Trustees is being asked to approve interim financing via bond anticipation notes and commercial paper to finance the project during the construction period. Additionally, the Board is being asked to approve the long-term bonds issued pursuant to a supplemental bond resolution to the housing system in order to replace the interim debt and permanently finance the project. Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting 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 the California State University Bond Anticipation Notes and California State University Housing System Revenue Bonds in an amount not to exceed \$18,725,000 and certain actions relating thereto.
- (2) Provide for a delegation to authorize the chancellor, the executive vice chancellor and chief financial officer, 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.

Recommended Action

Approval of the resolutions presented at this meeting is recommended.

COMMITTEE ON FINANCE

Real Property Development Update—Faculty and Staff Housing, California Polytechnic State University, San Luis Obispo

Presentation By

Richard P. West
Executive Vice Chancellor
and Chief Financial Officer

Summary

This information item is an update of the conceptual plan for construction and operation of faculty and staff housing on campus land at California Polytechnic State University, San Luis Obispo. The proposed development was originally presented for conceptual approval to the Board of Trustees in March 2001 as part of the campus Master Plan approval. The development consists of approximately 85 rental units and 165 attached and semi-attached for-sale homes on two sites identified in the campus Master Plan as H-8 and H-9 respectively. The Cal Poly Housing Corporation (Corporation), a newly established and recognized auxiliary organization of the CSU, will develop each site under long-term ground leases with the University.

Background

In August 1999 the California Polytechnic State University Foundation (CPSUF), a long-established campus auxiliary organization, commissioned Courtney Caldwell and Anderson Strickler, LLC to study the need for faculty and staff housing. The resulting study concluded that the limited housing supply and overwhelming demand in San Luis Obispo County have created a critical need for employee housing. San Luis Obispo County is a limited growth county, constrained by physical land features and availability of infrastructure (water and sewer). The current vacancy rate on apartments is approximately .3% and new home prices are over \$400,000. The housing shortage has also placed the University at a disadvantage relative to recruitment of faculty and staff. With the approval of the University's Master Plan revision to increase student enrollment from 15,000 to 17,500 full time equivalent students (FTES) and the projected retirement rate of current employees, the University will recruit over 1,200 replacement personnel over the next twenty years. Given these factors the University is proposing to develop faculty and staff housing for its employees.

Development Description

The University currently owns two parcels of land across Highway 1 from the entrance to the main campus that are the proposed sites for faculty and staff housing. The University will enter into long-term ground leases with the Cal Poly Housing Corporation to build for-rent and for-sale units for employees of the University.

The CPSUF has recently issued and received responses to a Request for Qualifications for Development Services. Upon selection of a developer the Corporation will enter into an initial Development Services Agreement for design and schematics of both the rental and sale units leading to a guaranteed maximum price for construction. The agreement will provide the developer with an exclusivity clause to construct the units, contingent on an acceptable financial plan and approval of the development by the Trustees. The Corporation will then enter into a Development Services Agreement for construction of the H8 rental unit site.

As part of the feasibility phase of the development, a separate environmental impact report (EIR) is currently being prepared for each site in accordance with the California Environmental Quality Act to analyze the potential impacts of the development on the surrounding community. The EIRs will be presented to the Trustees at a future date.

Rental Units. The rental units will be located on a 5.58-acre site (H-8) across Highway 1 from the campus. The development will consist of approximately 85 living units in two and three story structures with appurtenant parking, access, and outdoor space. The units will range in size from a 1-bedroom/1-bathroom unit to a 2-bedroom/2-bathroom unit. Proposed monthly rent ranges from \$1,025 to \$1,500. The Corporation plans to provide property management services.

For-Sale Homes. The for-sale homes will be located on approximately 12 acres of a 24-acre parcel (H-9) northwest of the City of San Luis Obispo. The development will consist of a maximum of 165 attached and semi-attached single-family residences. The homes will be a mix of one and two story structures ranging in size from 2 bedrooms/2 bathrooms to 4 bedrooms/2.5 bathrooms with garages. The feasibility studies have suggested home sales prices from \$153,000 to \$221,000, which is well below a comparable market product. The Corporation plans to enter into long term ground leases with the homebuyers that meet lending requirements for the buyers while enabling the Corporation to enforce eligibility criteria, ground rent structure and resale restrictions.

Auxiliary Organization Financing

The University plans to ground lease each site to the Corporation in consideration for the development, financing and management of employee housing. Preliminary estimates of total development costs for both site developments range from \$40 million to \$45 million, including

financing and capitalized interest costs. The Corporation has been presented with several financing options and is identifying the best financing alternative relative to the projected use of each site. The Corporation may issue tax-exempt non-recourse revenue bonds for development of the rental property pursuant to the Corporation's power as a California nonprofit public benefit corporation. The bonds would be secured by rental income, mortgage in the leasehold interest and a letter of credit or bond insurance. The for-sale home site may be developed using short term conventional construction financing. Revenue from the sale of the homes would be used to pay down the construction debt. Finalized plans for financing will be brought to the Trustees at a future meeting.

Land Value and Use

The two parcels of land being proposed for development have a combined appraised value of \$4.5 million based on current zoning as vacant agricultural land in the County of San Luis Obispo. The parcels proposed for development are adjacent to existing neighborhoods and are well suited for the proposed development. With limited housing available in the community, employee housing developed by the Corporation will not only provide an on-going resource that will benefit the campus in its recruitment of faculty and staff but will reduce competition in the community for existing homes. Eligibility criteria and resale restrictions will ensure that this resource is available in future years.

Due Diligence

The CPSUF employed the faculty and staff housing experts mentioned above to investigate the need for faculty and staff housing and to assist in the development of a proposal. The study also provided the Corporation with an extensive market analysis including faculty and staff focus groups, written surveys, an analysis of the existing housing market, and financing options. The CPSUF then employed the firm of Ambling West to further develop options for employee housing on the selected sites. The Corporation has issued a Request for Qualifications for Development Services and will negotiate with the selected respondent.

COMMITTEE ON FINANCE

Development Project at San José State University for a Campus Housing and Retail Village

Presentation By

Richard P. West
Executive Vice Chancellor
and Chief Financial Officer

Summary

The conceptual plan to support the development of a campus housing and retail village project at San Jose State University was approved by the Board of Trustees at the January 2001 meeting. The project will provide much needed, below market rental units for students, faculty and staff, and will serve as an important recruitment tool. A proposed financing structure that would support a phased development plan to build approximately 5,700 beds is under review.

Background

In 1999, the university commissioned a comprehensive housing study to determine campus needs for students, faculty and staff. The study, which was completed in February 2000, indicated a demand for student housing ranging from a low of 5,000 beds to a high of 8,000 beds. Existing on-campus residence halls, which are operating at capacity, provide 1,800 beds in facilities that are over 25 years old.

The campus began the process of updating its master plan in April 2000, to address the anticipated growth in student enrollment, the need for new and improved facilities to serve this growth, and anticipated changes in teaching and research programs on campus. The revised master plan will reflect the campus' approach to better utilize the limited land available, including the identification of potential sites on campus that can accommodate developments such as the campus housing and retail village.

Since conceptual approval, work has concentrated on development of a clearly defined program scope and schematic plan approach. As the final project program is developed, close consultation has been on-going with the chancellor's office staff in the areas of both finance and construction.

Project Description

The campus housing and retail village will occupy approximately 12.7 acres on the same site as the existing residence halls and provide up to 6,000 beds in suite and apartment configurations as well as transitional apartments for faculty and staff housing. Additional facilities will include a dining facility, retail space, housing offices, a student activity center and 1,700 below grade parking spaces. The buildings will provide technology upgrades for the use of students, faculty and staff. The plan is to balance the project priorities of form, function and economy. Schedule, budget and risk mitigation remain the most important objectives of the team.

A project level environmental impact report (EIR) analysis on the housing and retail village is being prepared as a part of the revised campus master plan comprehensive program EIR to analyze the potential environmental impacts. The program EIR was circulated for review for a 45-day review period that began in mid-July. The final EIR will be submitted to the Trustees for certification at the November meeting, along with the amended master plan.

Project Phases

The overall project will consist of three stand-alone phases with a total cost of approximately \$625 million depending on the final scope determination. As a risk mitigation measure, each phase will be built independently, with no requirement to build future phases. The planned construction timeline for the completion of all three phases is seven years. The phasing details are as follows:

- Phase I Demolition of the three red brick dormitories will take place in June 2002. The total projected cost is \$250 million, with a total of 2,284 beds, a student activity center, retail space, housing offices and 700 parking spaces. The bed mix is 600 freshman/sophomore suites, 1,488 junior/senior grad student apartments and 196 faculty/staff apartments. Occupancy is scheduled for August 2004.

- Phase II Demolition of the three red brick dormitories will take place in January 2005. The bed mix is identical to that identified in Phase I. A dining facility, additional retail space and 700 parking spaces are also included. Occupancy is scheduled for August 2007.

- Phase III Demolition of Joe West Hall will take place in June 2007. There is a total of 1,100 student beds, retail space and 300 parking spaces in this final phase. Occupancy is scheduled for August 2009.

Budget and Financing

Executive Vice Chancellor and CFO, Richard P. West, has asked the campus to proceed with the project on the basis that it will be incorporated in a new Enhanced Capital Management (ECM) Program now being developed by staff. This new program would rely on the State University Bond Act of 1947, as amended by recent legislation, as the authority for the Trustees to issue a new program of pooled bond debt that employs modernized features with cost and flexibility advantages over existing, outdated bond program indentures; takes advantage of a broader revenue pledge; and utilizes the recently implemented Commercial Paper Program. The concept of an ECM Program was briefly reviewed with the Board of Trustees in the January 2001 meeting. Staff will continue to develop the ECM Program and plans to present additional information to the Trustees in November 2001 in addition to specific financing information for the San José project. Under this schedule, financing authorization for the San José project would be presented to the Trustees for consideration at the January, 2002 meeting.

Educational Benefits

The campus housing and retail village project will serve to meet the minimum student demand for housing on campus by providing approximately 3,500 additional beds at below market rates as well as much needed rental space for faculty and staff. The goal is to move from a competitive disadvantage to a competitive advantage in order to be much better prepared to meet the national growth trend in post secondary education. The size of the high school graduate pool across the country is expected to peak around 2008. This project is the key to meeting both current and future demand.

Alternative Uses and Value of Land

Land in downtown San José, adjacent to the campus, is currently valued at approximately \$2 – 3 million an acre based on comparative analysis of similar parcels. According to a recent appraisal of the SJSU dormitory property by Carneghi-Bautovich & Partners, Inc., the existing improvements are no longer contributing significantly to the value of the underlying land. Given the extremely limited growth area of the campus, the highest and best use for the property is for demolition and redevelopment of the site to a higher density. The market value of the four acres of property identified for Phase I, land only, is \$11,380,000.

COMMITTEE ON FINANCE

California State University Annual Investment Report

Presentation By

Richard P. West
Executive Vice Chancellor
and Chief Financial Officer

Summary

In 1997 the Board of Trustees established an investment policy for the investment of funds held in California State University trust accounts. This item provides the annual investment report (Attachment A) of the activities for the funds managed under this policy.

The California State University
Office of the Chancellor



Annual Investment Report

July 1, 2000 – June 30, 2001
Prepared by
Office of Financing and Treasury

Summary

At the January 1997 meeting, the Board of Trustees approved the creation of a centralized investment program to manage the investments of funds held in California State University trust accounts. In addition, the Board approved an investment policy consistent with the authority provided in existing statutes to guide the university in administering the investment program. A copy of the investment policy is provided in Attachment A.1. The Board also agreed that an external fund manager should be hired to invest the funds consistent with the investment policy of the Board of Trustees. The firm of Metropolitan West Securities, Inc. was hired through a competitive process to manage an investment program for the California State University.

This agenda item reports the results of the CSU investment program administered by Metropolitan West for the twelve months ending June 30, 2001. In addition, results are provided for the Surplus Money Investment Fund (SMIF) and Local Agency Investment Fund (LAIF). The State Treasurer administers SMIF and LAIF, which are available to the campuses as investment options.

Market Recap

The overall slowdown of the domestic and global economies during the past year has kept the Federal Reserve Board focused on strengthening economic growth. Over the past six months, the Fed has cut its target rate six times, bringing its target rate down to 3.75%. Citing declines in corporate profits, capital spending, and personal consumption, the Fed appears to be prepared to lower its target rate further if deemed necessary.

The observed decline of corporate profitability also had an adverse affect on the equity market. During the first three quarters of the fiscal year, all major stock indices experienced significant declines. In the month of April 2001, the market experienced a general turnaround that continued through the remainder of the last quarter.

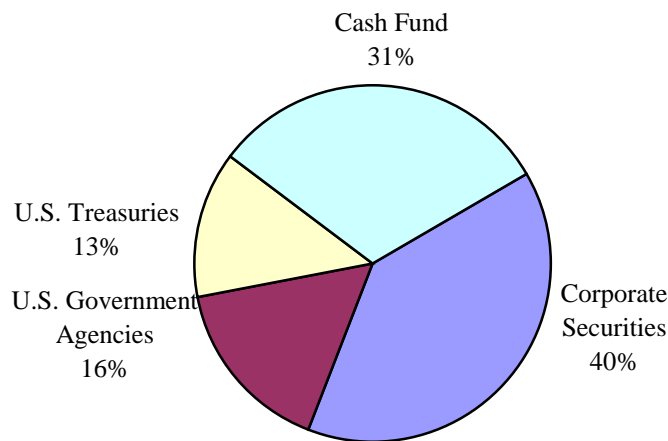
This mix of market conditions has been generally favorable to participants in the three fixed income accounts, most notably on the Total Return and Long-term Accounts. Falling yields in U.S. debt market have benefited the portfolio returns by supplying price appreciation in addition to interest income.

CSU Short-Term Investment Account Performance

As of June 30, 2001, the asset balance in the Short-Term Account totaled \$152 million. The objective of the Short-Term Account is to maximize current income along with preservation of

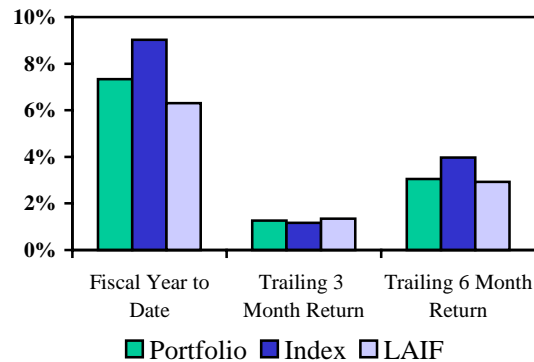
capital. Consistent with the CSU investment policy, the portfolio is restricted to U.S. Treasury securities, government agency securities, and highly rated corporate securities. State law prohibits the investment of these funds in equity securities. The portfolio's holdings by sector for the Short-Term Account are as follows:

**California State University Short-Term Account
 Sector Breakdown as of
 06/30/2001**



The Short-Term Account has provided a return of 7.34 percent during the 12 months ended June 30, 2001. This return exceeded the 12-month return for the Local Agency Investment Fund. Because of the relative out performance of US Treasuries over corporate bonds, the portfolio under performed relative to its benchmark index, the Merrill Lynch 1-3 Year Treasury Index.

**California State University System
 CSU Short-Term Account
 06/30/2001**



Attachment A

Finance - Item 9

September 11-12, 2001

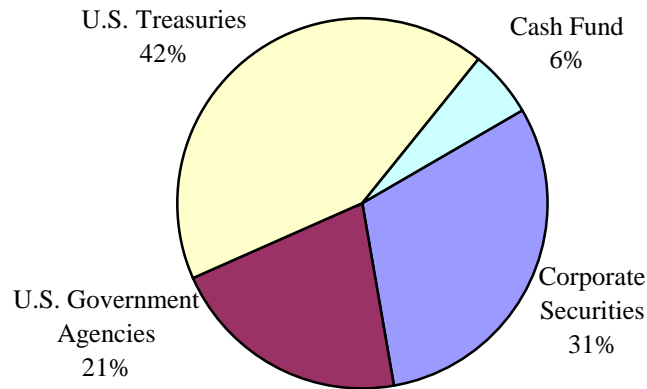
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CSU Total Return Investment Account Performance

The objective of the Total Return Account is to maximize medium term total return. The account is invested in a diversified portfolio of fixed income securities of varying maturities with approximate portfolio duration of 3.75 to 5.75 years. The account is structured to perform consistently with the Merrill Lynch 5-7 year Treasury Index, and to outperform both the Short - Term Account and LAIF over a 5-7 year investment horizon. As of June 31, 2001, the net asset value of the account was \$113 million.

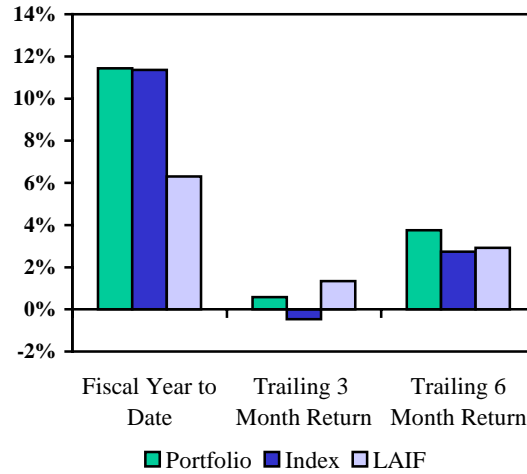
Consistent with the CSU investment policy, the Total Return Account portfolio is restricted to US Treasury securities, government agency securities, and highly rated corporate securities. State law prohibits the investment of these funds in equity securities. The portfolio's holdings by sector for the Total Return account are as follows:

**California State University Total Return Account
Sector Breakdown as of
06/30/2001**



The Total Return Account has provided a return of 11.44 percent during the 12 months ended June 30, 2001. This return exceeded the 12-month return for the Local Agency Investment Fund. Because of the relative out performance of US Treasuries over corporate bonds, the portfolio under performed relative to its benchmark index, the Merrill Lynch 5-7 Year Treasury Index.

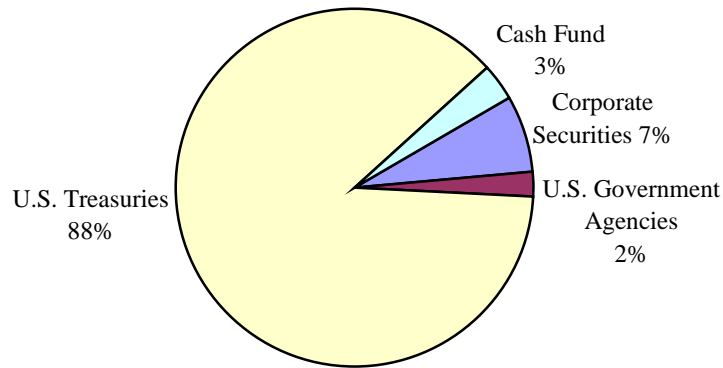
**California State University System
 CSU Total Return Account
 06/30/2001**



CSU Long-Term Account Investment Performance

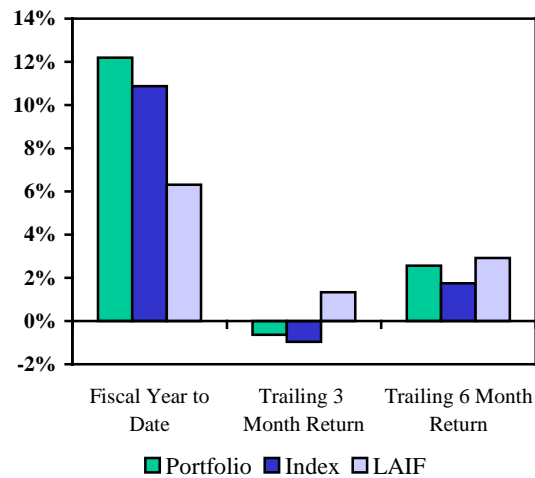
The investment objective of the Long-Term Account is to maximize returns for funds that can be invested for a longer term. This account invests in a diversified portfolio of fixed income securities of varying maturities with approximate portfolio duration of 5 to 7 years. As of June 30, 2001, the net asset value of the account was \$45 million. Consistent with the CSU investment policy, the portfolio is restricted to US Treasury securities, government agency securities, and highly rated corporate securities. State law prohibits the investment of these funds in equity securities. The portfolio's holdings by sector for the Long-Term Account are as follows:

**California State University Long-Term Account
 Sector Breakdown as of
 06/30/2001**



The Long-Term Account has provided a return of 12.20 percent during the 12 months ended June 30, 2001. This return exceeded the 12-month return for the established benchmarks, which are the Merrill Lynch 7-10 Year Index and the Local Agency Investment Fund.

**California State University System
 CSU Long Term Return Account
 06/30/2001**



Surplus Money Investment Fund (SMIF)

The Surplus Money Investment Fund (SMIF) is a vehicle used by State Treasurer to invest state funds in a short-term pool at virtually no risk. Cash on this account is available on a daily basis. SMIF is managed by the State Treasurer's Office. The portfolio's composition includes CD's and Time Deposits, U.S. Treasuries, Commercial Paper, Corporate Securities, and U.S. Government Agencies. As of June 30, 2001, the balance was \$20,577,000.

**SMIF Performance Report
Apportionment Yield Rate**

06/30/2001: 5.731%
12/31/2000: 6.493%

**SMIF Past Performance
1996-2001**

Average: 5.666%
High: 6.493%
Low: 5.134%

Local Agency Investment Fund (LAIF)

The Local Agency Investment Fund (LAIF) is a vehicle used by State Treasurer to invest local agency funds. LAIF is administered by the State Treasurer's Office. All investments are purchased at market, and market valuation is conducted quarterly.

**LAIF Performance Report
Quarter ending 06/31/2001**

Apportionment Rate: 5.329%

Attachment A

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September 11-12, 2001

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The California State University Investment Policy

The following investment guidelines have been developed for CSU campuses to use when investing funds.

Investment Policy Statement

The objective of the investment policy of the California State University is to obtain the best possible return commensurate with the degree of risk that the CSU is willing to assume in obtaining such return. The Board of Trustees desires to provide to each campus president the greatest possible flexibility to maximize investment opportunities. However, as agents of the trustees, campus presidents must recognize the fiduciary responsibility of the trustees to conserve and protect the assets of the portfolios and by prudent management prevent exposure to undue and unnecessary risk.

When investing campus funds, the primary objective of the campus shall be to safeguard the principal. The secondary objective shall be to meet the liquidity needs of the campus. The third objective shall be to return an acceptable yield.

Investment Authority

The California State University may invest monies held in local trust accounts under Education Code Sections 89721 and 89724 in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, listed in Section A subject to limitations described in Section B.

- A. State Treasury investment options include:
- Surplus Money Investment Fund (SMIF)
 - Local Agency Investment Fund (LAIF)
- B. Eligible securities for investment outside the State Treasury, as authorized by Government Code Section 16430 and Education Code Section 89724, include:
- Bonds, notes or obligations with principal and interest secured by the full faith and credit of the United States;
 - Bonds, notes or obligations with principal and interest guaranteed by a federal agency of the United States;

- Bonds or warrants of any county, city, water district, utility district or school district;
 - California State bonds or bonds with principal and interest guaranteed by the full faith and credit of the State of California;
 - Various debt instruments issued by: (1) federal land banks, (2) Central Bank for Cooperatives, (3) Federal Home Loan Bank Bd., (4) National Mortgage Association, (5) Federal Home Loan Mortgage Corporation, and (6) Tennessee Valley Authority;
 - Commercial paper exhibiting the following qualities: (1) “prime” rated, (2) less than 180 days maturity, (3) issued by a U.S. corporation with assets exceeding \$500,000,000, (4) approved by the PMIB. Investments must not exceed 10 percent of corporation’s outstanding paper, and total investments in commercial paper cannot exceed 30 percent of an investment pool;
 - Bankers’ acceptances eligible for purchase by the Federal Reserve System;
 - Certificates of deposit (insured by FDIC, FSLIC or appropriately collateralized);
 - Investment certificates or withdrawal shares in federal or state credit unions that are doing business in California and that have their accounts insured by the National Credit Union Administration;
 - Loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration;
 - Student loan notes insured by the Guaranteed Student Loan Program;
 - Debt issued, assumed, or guaranteed by the Inter-American Development Bank, Asian Development Bank or Puerto Rican Development Bank;
 - Bonds, notes or debentures issued by U.S. corporations rated within the top three ratings of a nationally recognized rating service;
- C. In addition to the restrictions established in Government Code Section 16430, the CSU restricts the use of leverage in campus investment portfolios by limiting reverse repurchase agreements used to buy securities to no more than 20 percent of a portfolio. Furthermore, the CSU:
- Prohibits securities purchased with the proceeds of a reverse repurchase from being;

Attachment A

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- used as collateral for another reverse repurchase while the original reverse repurchase is outstanding;
- Limits the maturity of each repurchase agreement to the maturity of any securities purchased with the proceeds of the repurchase (but in any event not more than one year); and;
- Limits reverse repurchase agreements to unencumbered securities already held in the portfolio.

Investment Reporting Requirements

- A. Annually, the Chancellor will provide to the Board of Trustees a written statement of investment policy in addition to a report containing a detailed description of the investment securities held by all CSU campuses and the Chancellor's Office, including market values.
- B. Each campus will provide no less than quarterly to the Chancellor a report containing a detailed description of the campus's investment securities, including market values. A written statement of investment policy will also be provided if it was modified since the prior submission. These quarterly reports are required:
 - to be submitted to the Chancellor within 30 days of the quarter's end
 - to contain a statement with respect to compliance with the written statement of investment policy; and
 - to be made available to taxpayers upon request for a nominal charge.