

AGENDA

COMMITTEE ON FINANCE

Meeting: 1:00 p.m., Tuesday, September 15, 1998
Auditorium

James H. Gray, Chair
Anthony M. Vitti, Vice Chair
William D. Campbell
Jim Considine
Martha C. Fallgatter
Harold Goldwhite
Eric C. Mitchell
Maridel Moulton
Joan Otomo-Corgel
Ali C. Razi
Michael D. Stennis
Stanley T. Wang

Consent Items

Approval of Minutes of Meeting of July 14, 1998

Discussion Items

1. Status Report on the 1998/99 Support Budget, *Information*
2. Development of the 1999/00 Support Budget, *Information*
3. The California State Investment Report, *Information*
4. Private-Sector Participation in the Development of the North Campus Property at California State University, Northridge, *Action*
5. Authorize the Issuance and Sale of the California State University, Chico Student Union Revenue Bonds, Series B, and Related Matters, *Action*
6. Authorize the Issuance and Sale of the San Francisco State University Student Union Revenue Bonds, Series B, and Related Matters, *Action*

MINUTES OF MEETING OF
COMMITTEE ON FINANCE

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

July 14, 1998

Members Present

William D. Campbell
Jim Considine
Martha C. Fallgatter
Harold Goldwhite
William Hauck, Chairmain of the Board, ex officio
Maridel Moulton
Joan Otomo-Corgel
Ali C. Razi
Charles B. Reed, Chancellor, ex officio
Michael D. Stennis
Stanley T. Wang

Members Absent

James H. Gray, Chair
Anthony M. Vitti, Vice Chair
Laurence K. Gould, Jr.
Eric C. Mitchell

Other Trustees Present

Ralph R. Pesqueira
Alice S. Petrossian

Chancellor's Office Staff

June M. Cooper, Senior Vice Chancellor and Chief of Staff
David S. Spence, Executive Vice Chancellor
Richard P. West, Senior Vice Chancellor, Business and Finance
Douglas X. Patiño, Vice Chancellor, University Development
Christine Helwick, General Counsel
Samuel A. Strafaci, Senior Director, Human Resources

Presidential Liaisons

Ruben Armiñana, President, Sonoma State University, present
Albert K. Karnig, President, California State University, San Bernardino, present

In the absence of Trustees Gray and Vitti, chair and vice chair, Trustee Campbell called the meeting to order at 3:35 p.m.

Fin.

Approval of Minutes

The minutes of May 12, 1998, were approved.

Status Report on the 1998/99 Support Budget

Senior Vice Chancellor West reported that the conference committee was discussing the 1998/99 state budget and that several issues of concern to the CSU still remain under consideration. The final budget is expected to include a substantial increase to the CSU with significant positive changes to the original proposed trustees' budget. Senior Vice Chancellor West said he was reasonably confident that the final budget would prove to be extremely favorable to the CSU.

Financing for California Polytechnic State University, San Luis Obispo Student Union Sports Complex

Senior Vice Chancellor West briefly reviewed the item and noted that total cost for the project is expected to be approximately \$9.4 million. The proposed resolution has two components: the first calls for trustee approval to issue and sell California State University Student Union Series B Revenue Bonds in an amount not to exceed \$4.9 million; and the second requires trustee approval to enable a recognized auxiliary organization of the California State University to borrow up to \$3.9 million on a tax-exempt basis.

The committee recommended approval of the proposed resolution (RFIN 07-98-11).

Auxiliary Organization Tax-Exempt Financing at San Francisco State University

Senior Vice Chancellor West presented the item which calls for trustee approval for the San Francisco State University Foundation, Inc., to borrow funds on a tax-exempt basis. The auxiliary organization is seeking funds to cover the cost of renovating and remodeling the old Corporate Yard on the San Francisco State University campus. The total cost for the project is expected to be approximately \$2 million.

The committee recommended approval of the proposed resolution (RFIN 07-98-12).

Application for Financial Assistance for the 404 Hazard Mitigation Grant Program and the 406 Disaster Assistance Program Designation of the CSU Authorized Agents

Senior Vice Chancellor West explained that the Federal Emergency Management Agency (FEMA) has changed its policy on the designation of an applicant's authorized agent for disaster funding. The new language will allow campuses to apply individually rather than through a single agency (e.g., the entire CSU) application as before.

The proposed resolution is intended to assist the CSU to respond appropriately, depending on the particular FEMA policy in effect, and the type of funding requested, for all current and future disasters.

The committee recommended approval of the proposed resolution (RFIN 07-98-13).

Adjournment

The meeting adjourned at 4:55 p.m.

BRIEF

Information Item

Agenda Item 1
September 15-16, 1998

COMMITTEE ON FINANCE

Status Report on the 1998/99 Support Budget

Presentation By

Richard P. West, Senior Vice Chancellor
Business and Finance

Summary

The 1998/99 Budget Act, Chapter 324, was signed by the governor on August 21, 1998. The 1998/99 Final Support Budget provides a \$283.3 million operating budget increase. An additional \$19.4 million in General Fund support was provided to replace the student fee revenue reduction resulting from a 5 percent decrease in undergraduate fees.

The budget provides full funding for total projected enrollment growth of 10,320 full-time equivalent students (FTES). The budget also includes a 5 percent pool for employee compensation increases, which will be used to further address the faculty salary lag and employee salary requirements in accordance with negotiated performance-pay agreements. Additional permanent funding includes \$11 million for teacher preparation, \$4 million for existing precollegiate academic development, educational opportunity and articulation programs, \$5.2 million for the conveyance costs of Camarillo State Hospital, and \$31.4 million to eliminate the need for a 10 percent student fee increase. There has been no increase in annual student fee rates at CSU since fiscal year 1994/95.

The budget includes \$77 million in one-time funding for critical unfunded needs: deferred maintenance (\$20 million); technology support (\$25 million); instructional equipment replacement (\$15 million); and, library materials (\$10 million). One-time funding also includes \$5 million for distance learning teacher preparation in partnership with the British Open University and \$2 million for a teacher preparation recruitment campaign.

The legislature reduced \$15 million from the funding provided by the governor at May Revise for deferred maintenance and instructional equipment replacement, and the governor vetoed \$5 million for teacher preparation support for summer session provided by the legislature. The governor also vetoed \$17.8 million provided by the legislature for ongoing physical plant maintenance need.

ITEM

2
 Agenda Item 1
 September 15-16, 1998

COMMITTEE ON FINANCE

Status Report on the 1998/99 Support Budget

1998/99 CSU Final Budget Summary

	1997/98 Adjusted Budget	1998/99 Final Budget	Change From 1997/98	Percentage Change
Sources of Funds				
State General Fund Support Revenue	\$1,879,965	\$2,164,046	\$284,081	15.00%
Fee Revenue Base	619,075			
5% Fee Reduction	<u>-19,400</u>			
Adjusted Revenue	599,675	617,787	18,112	
Reimbursement	<u>127,384</u>	<u>127,884</u>	<u>500</u>	
TOTAL FUNDS	\$2,607,024	\$2,909,717	\$302,693	11.52%
FTE ENROLLMENT	258,000	268,320	10,320	4.00%

The table above details the sources of funding increase appropriated for 1998/99. In accordance with AB 1318 (Ducheny), CSU's fee rates have been reduced by five percent for undergraduate resident students in the 1998/99 academic year which is displayed as base revenue adjustment in 1997/98 on the 1998/99 CSU Final Budget Summary table above. AB 1318 also provided funding of \$19.4 million to restore the resulting loss of CSU base revenue. This revenue offset is reflected in the \$284.1 million General Fund increase displayed for 1998/99. The revenue restoration is calculated on the basis of what CSU would be budgeted to receive at the FY 1997/98 fee rates and what is projected to be received at reduced fee levels for compact-based enrollment. This budget reflects a 15 percent increase in General Fund support which is the largest percentage increase since 1984/85.

USES OF FUNDS

1998/99 Budget Plan Expenditure Increase

Mandatory Costs	\$27,879,000
Enrollment Growth	61,539,000
Compensation	89,104,000
Ongoing and Deferred Maintenance	24,112,000
Camarillo State Hospital Conveyance	5,200,000
Teacher Preparation	18,500,000
Technology Support/Equipment	40,000,000
Libraries	10,000,000
Special Initiatives	<u>6,959,000</u>
Total, New Expenditure Increases	\$283,293,000

1997/98 Base Budget Fund Shift **19,400,000**

1998/99 Support Budget Increase **\$302,693,000**

The 1998/99 budget plan includes permanent and one-time funding totaling \$302.7 million from the state General Fund and CSU revenue sources. These funds will be distributed in the following areas based on the trustees' 1998/99 budget priorities and special state funding initiatives:

- Mandatory Costs (\$27.9 million), which includes employee benefits, workers' compensation, new space, State University Grants, and lease bond payments.
- Enrollment Growth (\$61.5 million), which fully funds 4 percent enrollment growth in 1998/99.
- Compensation (\$89.1 million), which provides a 5 percent compensation pool for employee salary negotiations. This amount includes \$17.8 million CSU requested in supplemental funding to address further the faculty salary lag, in accordance with performance-pay standards negotiated with employee collective bargaining representatives.
- Plant Maintenance (\$24.1 million), which includes \$4.1 million in permanent funding and \$20 million provided by the state in one-time funding to address the CSU deferred maintenance backlog — currently estimated to be in excess of \$350 million.
- Camarillo State Hospital Conveyance (\$5.2 million), that completes transfer of the facility for reuse as an expanded off-campus center in Ventura County and funds operational maintenance costs associated with the facility.
- Teacher Preparation (\$18.5 million), which includes \$11.5 million in permanent funding to provide additional teacher preparation enrollments (1,800 full-time equivalent students), \$5 million in one-time funding to expand distance learning through an innovative partnership with the British Open University, and \$2 million in one-time funding for increased teacher recruitment activity in response to a projected annual average need of 25,000 to 30,000 new teachers over the next decade.
- Technology Support/Equipment (\$40 million), which provides one-time funding in the amounts of \$25 million for technology baseline hardware and software access, user training and technical support deficiencies in student, faculty and staff computing and \$15 million to replace obsolete and/or depreciated instructional equipment.
- Libraries (\$10 million), for one-time funding to address budget deficiencies in library acquisitions.
- Special Initiatives (\$6.9 million), which includes \$2.6 million in funding for start-up costs at CSU Monterey Bay and additional permanent funding of \$4.3 million to expand successful CSU student outreach efforts and a state-funded special initiative at Pomona for engineers seeking teaching credentials.
- \$19.4 million to replace revenue loss as a result of the five-percent reduction in undergraduate fee rates. These funds are used to maintain current operations and are therefore not available to fund any new spending requests in 1998/99.

BRIEF

Information Item

Agenda Item 2
September 15-16, 1998

COMMITTEE ON FINANCE

Development of the 1999/00 Support Budget

Presentation By

Richard P. West, Senior Vice Chancellor
Business and Finance

Summary

A planning estimate of the 1999/00 Support Budget will be presented. Consultation with the Executive Council, System Budget Advisory Committee, and other CSU constituency groups on the planning estimate continues. The Board of Trustees was consulted on preliminary planning at the August retreat. Modifications to the planning estimate will be made based on further consultation. The board is scheduled to take action on the 1999/00 Support Budget in October.

BRIEF

Information Item

Agenda Item 3
September 15-16, 1998

COMMITTEE ON FINANCE

The California State University Investment Report

Presentation By

Richard P. West, Senior Vice Chancellor
Business and Finance

Summary

This item is the second annual report of the centralized investment portfolio as required by the CSU investment policy.

ITEM

2

Agenda Item 3
September 15-16, 1998

COMMITTEE ON FINANCE

The California State University Investment Report

Background

At the January 1997 meeting, the Board of Trustees approved the creation of a centralized investment fund, as authorized by statute. The board also agreed that an external fund manager should be hired to invest these funds consistent with the investment policy of the Board of Trustees. The investment policy of the board emphasizes liquidity among the objectives for the management of trustees' funds and limits the investment instruments to fixed income types of investments.

A management committee made up of campus and systemwide officers selected the firm of Metropolitan West Securities, Inc. (MetWest) as the successful bidder. MetWest was awarded the contract over eight qualified firms based upon their skills, resources, and price.

The role of MetWest includes: the day-to-day management of the investment pools; recommending investment goals and strategies; evaluating campus cash flows; recommending broker dealers; as well as recommending terms and conditions for participation in the short-term and long-term investment pools. MetWest provides timely reporting of pool holdings and earnings via a campus specific Internet site. Campuses may access information regarding their accounts.

The investment policy approved by the board requires that the chancellor will annually provide to the board an investment report containing a detailed description of the investment securities held, market values, and performance of the investment portfolios.

Short Term Account Objectives

The investment objective of the CSU System Short Term Account is to maximize current income, consistent with the preservation of capital. Capital appreciation is a secondary consideration of the account. This account invests in a portfolio of fixed-income securities of varying maturities.

- The Short Term Account is designed to provide daily liquidity and seeks to provide a rate of return which is superior to the Local Agency Investment Fund (LAIF), operated by the State Treasurer's Office.
- The earnings benchmark for this account is the *Merrill Lynch 1-3 Year Index*. The *Merrill Lynch 1-3 Year Index* is currently comprised of 58 U.S. Government Securities with maturities ranging from 12 to 36 months.

Short Term Account Portfolio Statistics As of July 31, 1998			
	Portfolio	Index	LAIF
Net Asset Value	\$72.3 million		
Average Maturity	1.22 years	1.79 years	
Duration	0.88 years	1.61 years	
Cumulative Returns for Past 12 Months	6.27%	6.13%	5.88%
The CSU System Short Term Account opened on July 28, 1997.			

Total Return Account Objectives

The CSU System Total Return Account seeks to maximize long-term total return by investing in a diversified portfolio of fixed-income securities of varying maturities with an approximate portfolio duration of 5 to 7 years. Portfolio holdings will be concentrated in areas of the bond market which the investment manager believes to be relatively undervalued.

- The Total Return Account is designed to provide monthly liquidity and seeks to provide a rate of return that is superior to that of the Short Term Account.
- The earnings benchmark for this account is the *Merrill Lynch 5-7 Year Index*, an index comprised of 14 U.S. Government Securities with maturities ranging from 60 to 84 months.

Total Return Account Portfolio Statistics As of July 31, 1998			
	Portfolio	Index	LAIF
Net Asset Value	\$88.1 million		
Average Maturity	6.77 years	5.92 years	
Duration	4.35 years	4.58 years	
Cumulative Returns for Past 11 Months	9.10%	9.15%	5.37%
The CSU System Total Return Account opened August 29, 1997.			

BRIEF

Action Item

Agenda Item 4
September 15-16, 1998

COMMITTEE ON FINANCE

Private-Sector Participation in the Development of the North Campus Property at California State University, Northridge

Presentation By

Blenda J. Wilson, President
California State University, Northridge

Richard P. West, Senior Vice Chancellor
Business and Finance

Summary

The Board of Trustees on March 17-18, 1998, approved the concept for development of biotech (research and development) uses on the north campus property at California State University, Northridge through participation in a public/private partnership. A specific development program has been negotiated by the campus.

On May 12-13, 1998, the Board of Trustees certified a Final Master Environmental Impact Report and approved a master plan revision for the campus that incorporated the Biotech Development Project of the north campus property. At the same meeting the trustees approved schematic plans for the proposed Biotech Development, Phase I Project.

The purpose of this item is to approve the specific development program for the biotech (research, development, and manufacturing) uses of the north campus property at CSU Northridge through the participation in a public/private partnership.

Recommended Action

Approval of the resolution.

ITEM

2

Agenda Item 4

September 15-16, 1998

COMMITTEE ON FINANCE

Private-Sector Participation in the Development of the North Campus Property at California State University, Northridge

California State University, Northridge (CSUN) proposes to enter into a partnership relation with a developer/tenant to develop up to 28 acres of the university's north campus for biotech (research, development, and manufacturing) uses. The biotech development will be fully funded by Alfred Mann, CEO, and several of his biotech companies including: MiniMed, Advanced Bionics, MRG, and the Alfred Mann Foundation under several ground leases that provide for an initial term of 42 years through 2039 plus options for an additional 40 years. This proposed 680,000 square feet of research and development will provide a source of revenue to support the campus's educational mission. The trustees are being asked to approve the plan to develop up to 28 acres of the university's north campus area for biotech uses through a public/private partnership as the first part of the development of the entire north campus area.

The Board of Trustees on March 17-18, 1998, approved the concept for development of biotech (research and development) uses on the north campus property at California State University, Northridge through participation in a public/private partnership with a preliminary estimate of financial benefit to the campus of approximately \$33.6 million over 40 years. The final negotiated net rent income to the campus will be \$32.5 million over 42 years. On May 12-13, 1998, the Board of Trustees certified a Final Master Environmental Impact Report and approved a master plan revision for the campus that incorporated the biotech development project of the north campus property. At the same meeting the trustees approved schematic plans for the proposed Biotech Development, Phase I Project.

Background

Development of the north campus has been a goal of the university for many years, beginning in 1967 with the proposed development of residential towers for student housing and continuing in 1976 with preliminary plans for a new stadium. In the mid-1980s the student housing portion of a larger planned development was completed.

Historically, the north campus area has been known by a variety of names: Devonshire Downs (when used as a state fairground), North Campus (after transfer to the university from the 51st Agricultural District), and, more recently, University Park. Several land use plans have been developed and pursued with the goal of furthering the university's educational mission. Initial plans included a student housing development of eight residential towers for student housing. Only one tower was built in 1967 and it is now being demolished due to extensive earthquake damage. In 1976-77, preliminary plans were explored for a new and larger sports stadium to replace the stadium presently located in the area of the Devonshire Downs racetrack. Subsequently, a performing arts center was considered. In 1981, the University Village apartments, a federally subsidized campus housing project consisting of 120 one- and two-bedroom units, was constructed and is still in use and fully occupied.

In the mid-1980s, Watt Industries was selected by the university to be the master developer for the north campus. CSUN formed an auxiliary organization called the North Campus/University Park Development Corporation to assist with implementing the proposed development with a mix of office-professional buildings, a hotel and convention facility, restaurants, and light industrial uses. The university was to benefit from the development through joint use of some of the facilities and by use of commercial profits to construct facilities for the university on the north campus and the main campus. This partnership arrangement between Watt and the university was dissolved at the request of the developer in 1992 after completion of only the student housing portion of the planned development.

In early 1995 following the university's initial earthquake recovery effort in 1994, the campus began to re-explore uses for the north campus area to generate revenue to support the university's educational mission. CSUN undertook a public selection process to build a public-private partnership to foster this development. In September 1995 the campus sent a request for qualifications to more than 150 real estate development firms across the country and received responses from nine development firms in November 1995. The concepts ranged from 20 acres to 65 acres of development on the north campus, including housing, a sports arena/performing arts complex, a golf-driving range, and several combinations of retail development. Following selection of a retail development, the University MarketCenter, a draft EIR was prepared. However, due to community concerns, the project was scaled down. A task force comprised of community members from business associations, chambers of commerce, homeowner groups, university staff, faculty, and students and alumni was established in April 1997 to develop a concept plan for the 65-acre north campus area. The concept plan includes a variety of uses such as a hotel/conference center, movie studios/production facilities, research and development facilities, retail, and a football stadium. In September 1997 it was determined that the anticipated revenue from the revised University MarketCenter did not merit development of the project as proposed, and plans for the project were discontinued. The current proposal for the north campus is the result of proposals submitted to the university to implement the concept plan proposed by the university's task force, primarily the result of suggestions offered by staff of L.A.'s Business Team, Office of Mayor Richard Riordan, City of Los Angeles.

Program

The North Campus/University Park Development Corporation, a recognized auxiliary organization at CSUN, has negotiated the principal terms and conditions for ground subleases with MiniMed, Inc., or any of Mann's consortium of biotech companies to develop approximately 19 acres of the north campus with an additional 9 acres leased in 2002 through identical subleases with MiniMed, Inc., and/or Mann's consortium of biotech companies. At this time, all the terms and conditions have been negotiated with MiniMed, Inc. The number of subleases incorporating the negotiated terms and conditions that will be used by Mann's consortium of biotech companies for Parcels 1, 2, 3, and 4 will be determined at a later date.

The following goals for the development project have been met:

1. Develop a public-private partnership relation;
2. Develop strong academic ties and facilities spanning a broad range of CSUN's colleges and departments;

4

Fin.

Agenda Item 4

September 15-16, 1998

3. Provide a source of steady, predictable, and safe revenue to the university; and
4. Provide an economic stimulus to the San Fernando Valley and surrounding region.

North Campus Development Plan, Design Concept, and Master Ground Lease

The north campus proposed biotech uses will provide a source of revenue to CSUN to support the university's educational mission. The proposed biotech uses will have academic linkages to several colleges/departments including, but not limited to, the following:

College of Engineering and Computer Science

- biomedical engineering
- biomechanics
- assistive technology

College of Health and Human Development

- communicative disorders and sciences
- physical therapy
- radiological technology
- nursing
- assistive technology applications
- therapeutic programs for the physically disabled

College of Science and Mathematics

- bio-remediation research
- molecular genetics of human disease
- biology of human parasites
- genetic counseling
- environmental interactions of the immune systems
- biotechnology (cellular, molecular, and immunological techniques)
- medical technology
- mathematical modeling

A variety of extended learning opportunities.

The northern portion of the site will be developed by the private sector with approximately 28 acres of biotech uses (including the development of four two-story buildings for research and development and a 60,000-square-foot two-story conference center for lectures, meetings, and other academic programs). Although the buildings will be built by the private sector, the fee ownership in the land will not be sold and the conference building will be accessible to students, staff, and faculty. The goal is for the university to work with the private-sector tenant(s) on a variety of research and development projects.

The biotech uses would include research and development buildings totaling up to 680,000 square feet surrounding a 60,000-square-foot conference center. The biotech uses will not require the use of hazardous or toxic materials. Dense landscaping would define the site's perimeter, consistent with the overall campus master plan's objectives for landscaping, buffers, and campus identity.

Financial Benefits to Campus

A component of the biotech development will be the construction of a 60,000-square-foot conference center; this center will be built by the biotech developer/tenant (The initial presentation of the project to the trustees consisted of a 40,000-square-foot conference center.) The conference center will include rooms for small meetings, seminars, and lectures, as well as a large meeting room (with stadium-style seating). This facility has an estimated construction value of over \$4 million.

Although title to the property will continue to be held by the State of California for use of the Board of Trustees of the California State University, private development is possible using a long-term ground lease with a recognized CSU auxiliary organization. A long-term lease between the North Campus/University Park Development Corporation and the university will enable the corporation to sublet the project area.

Negotiations with the developer/tenant have concluded. The Master Ground Lease will be between the trustees and the North Campus/University Park Development Corporation. The subleases will be between the University North Campus/University Park Development Corporation and the developer/tenant of the biotech uses, Mr. Mann and his consortium of biotech companies.

The proposed north campus public/private development will generate ground lease revenue of over \$32.5 million over a 42-year period for CSUN's North Campus/University Park Development Corporation. The biotech center will be developed by Alfred Mann and several of his biotech companies including MiniMed, Advanced Bionics, MRG, and the Alfred Mann Foundation, under a 42-year ground lease(s).

The significant business terms of the subleases are as follows:

- 1. Term** 42-year initial term through 2039 with options for one additional term of (10) years and (6) additional periods of (5) years, each for a total option period of 40 years.
- 2. Rent** A payment of \$400,000 is due upon execution of documents. The initial rent of \$300,000 starts in 2000 and escalates to an estimated payment of \$1,168,799 in year 2039. (See rent schedule below.)
- 3. California State University's Right to Terminate** North Campus has the right to terminate the ground lease after the initial term (2039). This right remains with the North Campus Corporation throughout the 40 years of the options. Upon receipt of a notice to terminate MiniMed can vacate as soon as 3 years or as long as 10 years. Upon vacation, the North Campus Corporation buys the building at the then fair market value.
- 4. Use** The 28 acres shall be used for research, development, and manufacturing and related uses by MiniMed and its affiliated companies. On March 18, 1998, the trustees approved a concept plan for the research and development uses related to the biotech development. The proposed lease(s) now also incorporate manufacturing uses for the biotech development. Please see below for a complete list of "allowed uses" permitted under the proposed subleases.

- 5. Adjustments to Rent** At 2010 and each 5 years thereafter, the rent shall be increased by the CPI capped at 110 percent of the prior rent using December 1999 as the base year.
- 6. Option Rent Base** At the 42nd year (2039) the rent shall be adjusted to fair market rent.
- 7. MiniMed's Right to Terminate** After the initial term (2039), if the rent is greater than 110 percent of the prior rent, then MiniMed must pay the increased rent, but may serve notice to terminate the lease in 10 years and vacate as soon as 3 years. Upon vacation the North Campus Corporation must buy the building at the then fair market value.
- 8. Property** Initial sublease(s) are for 19 acres with MiniMed, Inc., or any of Mann's consortium of biotech companies (Parcels 1, 2, and 3) with the additional 9 acres (Parcel 4) leased in mid-2002 through identical subleases with MiniMed, Inc., and/or Mann's consortium of biotech companies. Right of entry to Parcel 4 is granted initially for utilities placement, etc. At this time, all the terms and conditions have been negotiated with MiniMed, Inc. The actual number of subleases incorporating the negotiated terms and conditions that will be used by Mann's consortium of biotech companies for Parcels 1, 2, 3, and 4 will be determined at a later date.
- 9. Stadium** In order to proceed with the lease and development of the additional 9 acres Parcel 4, the North Campus Corporation will be required to demolish the football stadium and any other improvements on the parcel at an estimated cost of \$250,000.
- 10. EIR Mitigation Costs** Total project mitigation costs are approximately \$2,695,682. Approximately \$1,470,000 of the mitigation costs are expected to be funded from a City Grant. MiniMed and its affiliates are expected to contribute \$111,000. The remaining balance of \$1,114,682 will be funded initially by MiniMed and its affiliates and reimbursed between years 2003 through 2009 with rent credits from the North Campus Corporation. The rent schedule reflects the net rent to the North Campus Corporation during those years.
- 11. Taxes** All taxes paid by MiniMed, Inc.
- 12. Corporate Guarantee** In the event that a sublease is signed by an affiliate MiniMed provides a corporate guarantee to assure performance under the sublease(s) including payment of rent.
- 13. Insurance** MiniMed provides the normal insurance, fire, liability, as well as business interruptions insurance to insure rental payments during the term of the sublease(s).

- 14. Use of Conference Center** A covenant in the sublease agreement provides that MiniMed shall cooperate with the university in use of the Conference Center facilities including auditorium, cafeteria, and conference room and provides for a goal of internships for faculty and students.
- 15. Tenants right to terminate because of unanticipated conditions** If there are unanticipated physical conditions that interfere with construction and cost under \$500,000, MiniMed or its nominee shall proceed with construction. If the costs are greater than \$500,000, the North Campus Corporation may pay for the difference. If the North Campus Corporation does not pay the difference, MiniMed or its nominee may proceed to terminate sublease(s).
- 16. Triple net lease** No offset or set off from rent.
- 17. Environmental** Tenant indemnifies landlord for tenant caused damage and landlord indemnifies tenant for acts prior to sublease effective date.

Rent Schedule

The revenue from the ground leases for the biotech uses is currently estimated, using maximum CPI increases, as follows:

Year of Ground Lease	Date of Ground Lease	Acreage	Sq. Ft. of R & D Space to Be Developed	Annual Ground Lease Revenue	Total Ground Lease Revenue	
1	1998	19	170,000	\$400,000		
2	1999	19	170,000	\$0		
3-5	2000-2002	19	170,000	\$300,000		
6-12	2003-2009	28	680,000	\$465,704		C
13-17	2010-2014	28	680,000	\$724,490		
18-22	2015-2019	28	680,000	\$796,939		
23-27	2020-2024	28	680,000	\$876,633		
28-32	2025-2029	28	680,000	\$964,296		
33-37	2030-2034	28	680,000	\$1,060,726		
38-42	2035-2039	28	680,000	\$1,166,799	\$32,509,342	A
43-45	2040-2042	28	680,000	\$13,389,996	\$45,898,338	B

Note:

- A. The rent schedule presented to the Board of Trustees at the March meeting was a representative rent payment plan estimate consisting of a 40-year ground lease and total lease revenue of \$33,618,307. The actual rental schedule as negotiated is set forth above and shows a \$400,000 payment upon sublease execution. At the 42nd year, the lease is adjusted to fair market value.

8

Fin.

Agenda Item 4

September 15-16, 1998

- B. The minimum lease term assuming the earliest convenience as negotiated with the option is now 45 years through 2042 with the respective rights of the parties at the 42nd year (2039) to serve a notice to terminate. For analysis purposes a presentation of the 45-year term is presented.
- C. Total project mitigation costs are approximately \$2,695,682. Approximately \$1,470,000 of the mitigation costs are expected to be funded from a City Grant. MiniMed and its affiliates are expected to contribute \$111,000. The remaining balance of \$1,114,682 will be funded initially by MiniMed and its affiliates and reimbursed between years 2003 through 2009 with rent credits from the North Campus Corporation. The rent schedule reflects the net rent to the North Campus Corporation during those years.

Allowed Uses

The use of the property is limited to the following:

- Computer components, parts and accessory manufacturing and assembly
- Distribution plant or warehouse
- Small biotechnical electric parts, assembly and manufacturing
- Electronic products assembly and manufacturing, including medical products
- Electronic instruments and devices manufacturing, including medical devices
- Electronic instruments and devices, assembly
- Engineering services (office)
- Laboratory, experimental film, research or testing
- Laboratory, medical or dental
- Metal products inspection by x-ray
- Office, business or professional
- Parking areas (public) and parking buildings as accessory uses and loading spaces, required or provided in connection with the permitted uses
- Quality control laboratory as accessory to headquarters or branch offices of a manufacturer
- Scientific instrument and equipment manufacturing
- Storage building (excluding self-storage, self-service storage, and public storage)

Other amenities and uses will be allowed provided that they will be project serving and conducted for the benefit of the project site users and visitors.

Summary

This report provides a summary of the negotiations and plans that will allow California State University, Northridge to develop, with the assistance of Mr. Mann and his consortium of biotech companies, approximately 28 acres as the first part of the development of the entire north campus area. The program will be implemented through with MiniMed, Inc., and its affiliates to lease state land and finance, design, construct, operate, and use designated facilities for the benefit of the university.

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of The California State University, that the trustees:

1. Approve the specific development program as presented in this agenda item for the development of biotech (research, development, and manufacturing) uses of the north campus property at California State University, Northridge, as negotiated by California State University, Northridge and MiniMed, Inc., and other members of the Alfred Mann consortium of biotech companies.
2. Confirm the chancellor's authority to enter into such leasing and other associated agreements as necessary to implement the specific development program as approved by the trustees.

BRIEF

Action Item

Agenda Item 5
September 15-16, 1998

COMMITTEE ON FINANCE

Authorize the Issuance and Sale of the California State University, Chico Student Union Revenue Bonds, Series B, and Related Matters

Presentation By

Richard P. West, Senior Vice Chancellor
Business and Finance

Summary

This agenda item requests the Board of Trustees to adopt resolutions to issue and sell California State University, Chico Student Union Series B Revenue Bonds in an aggregate principal amount not to exceed \$23,850,000 for the Bell Memorial Union expansion/renovation and bookstore project.

A separate item is before the trustees' Committee on Campus Planning, Buildings and Grounds at this meeting requesting the trustees to amend the Campus Nonstate Capital Outlay Program for the construction phase of the project.

Recommended Action

Adoption of the proposed resolutions.

ITEM

2

Agenda Item 5
September 15-16, 1998

COMMITTEE ON FINANCE

Authorize the Issuance and Sale of the California State University, Chico Student Union Revenue Bonds, Series B, and Related Matters

This agenda item requests the Board of Trustees to adopt resolutions for the financing of the Bell Memorial Union expansion/renovation and bookstore project. The union facility has been serving as a student center since its completion in 1969. No major renovation or expansion of the facility has occurred since its completion. The student population has increased and building code requirements have changed. Thus, the current facility is in need of upgrading and expansion.

The project will add approximately 14,700 gross square feet to the building and will remodel a portion of the existing union space (52,500 gross square feet). The renovations will provide accessibility improvements (ADA modifications), code corrections, and will seismically retrofit the building. The existing HVAC system and electrical supply to the building will be upgraded to meet current needs and reduce energy costs. The remodel of the union building will also modernize and reorient the food services facility to convert it to a food court. Additionally, a new three-story bookstore of approximately 57,700 gross square feet will be built immediately adjacent to the student union building. The current campus bookstore, located in the basement of the Bell Memorial Union, is undersized and unable to properly serve the campus. The first two floors of the bookstore building will be used for retail merchandising, offices, and a convenience store with extended hours. The third floor will be used for Associated Students' offices and activities. The exterior finish will utilize red brick and concrete to complement the existing Bell Memorial Union as well as the predominant architecture of the Chico campus.

The student union revenue bonds issued pursuant to the State University Bond Act of 1947 are obligations of the Board of Trustees and will be supported by student union fees. In the spring of 1996, the students of California State University, Chico endorsed the expansion and remodel project of the Bell Memorial Union in a student election and approved an increase in fee schedule that will fully support all student union revenue bonds including the new bonds proposed in this item. When the project is completed, fees for the student union revenue bond program at the university are expected to generate a coverage ratio of 1.34 times annual revenue to estimated maximum annual debt service on all campus student union bonds before operating costs. Funds for operations are paid from net revenues available on a year-to-year basis after meeting all bond repayment and bond revenue requirements.

Financial Plan

At the time this agenda item was prepared, construction bids for the project exceeded the previously approved project budget. As a result, a separate item is before the trustees' Committee on Campus Planning, Buildings and Grounds at this meeting requesting the trustees to amend the Campus Nonstate Capital Outlay Program for the construction phase of the project. The principal factors for the increased project cost are: the current bid climate, the cost escalation due to inflation, and hazardous materials to be abated in the areas to be renovated. The revised project budget does not require an increase in student fees and will be funded by student union bonds. A new financial plan was prepared by the campus and the union identifying the financial resources that will support the increase in project costs. The sale of the bonds will require that key rate coverage covenants are met and must be demonstrated in 1997/98 audited financial statements, scheduled for release in October. Unaudited data currently show that these coverage covenants will be met.

Orrick, Herrington & Sutcliffe LLP as bond counsel for the Board of Trustees is preparing resolutions for the sale and issuance of revenue bonds to be presented for approval at this meeting that will achieve the following:

1. Authorize the sale and issuance of the California State University, Chico Student Union Revenue Bonds, Series B, in an amount not to exceed \$23,850,000 and certain actions relating thereto including the approval of the form of the Notice of Sale as presented to the board at this meeting.
2. Approve the form of the official statement prepared by Sutter Securities, financial advisor, and presented to the board at this meeting.
3. Provide a delegation to authorize the chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, and the director of financing and risk management to take any and all necessary actions to execute documents for the sale and issuance of the bonds.

The resolutions being prepared by bond counsel and the form of the official statement will be distributed at this meeting and presented for approval.

BRIEF

Action Item

Agenda Item 6
September 15-16, 1998

COMMITTEE ON FINANCE

Authorize the Issuance and Sale of the San Francisco State University Student Union Revenue Bonds, Series B, and Related Matters

Presentation By

Richard P. West, Senior Vice Chancellor
Business and Finance

Summary

This agenda item requests the Board of Trustees to adopt resolutions to issue and sell San Francisco State University Student Union Series B Revenue Bonds in an aggregate principal amount not to exceed \$12,950,000 for the student union terrace renovation and expansion project.

A separate item is before the trustees' Committee on Campus Planning, Buildings and Grounds at this meeting requesting the trustees to amend the Campus Nonstate Capital Outlay Program for the construction phase of the project.

Recommended Action

Adoption of the proposed resolutions.

ITEM

2

Agenda Item 6
September 15-16, 1998

COMMITTEE ON FINANCE

Authorize the Issuance and Sale of the San Francisco State University Student Union Revenue Bonds, Series B, and Related Matters

This agenda item requests the Board of Trustees to adopt resolutions for the financing of the student union terrace renovation and expansion project. The San Francisco State University Student Union has been serving a vital function as a campus student center for over twenty years without a major renovation or expansion. The student population has increased and building code requirements have changed. The current facility needs to be upgraded and expanded.

The project will replace the existing concrete roof slab and the terrace level of the existing student union building and enclose approximately 25,000 gross square feet of existing floor space to provide more usable area. The student service areas will be expanded by creating new meeting rooms, study spaces, and informal gathering spaces. There will be more dining, retail, and commercial services offered. The project also involves the renovation of approximately 12,000 gross square feet for use by the university bookstore, and provides minor remodeling of the existing pyramids at the terrace level, improves accessibility, corrects code deficient items, and seismically retrofits 115,000 gross square feet of the building.

The student union revenue bonds issued pursuant to the State University Bond Act of 1947 are obligations of the Board of Trustees and will be supported by student union fees. In December 1991, the students of San Francisco State University endorsed the renovation and expansion project in a student election and approved an increase in fee schedule that will fully support the student union revenue bonds. When the project is completed, fees for the student union revenue bond program at the university are expected to generate a coverage ratio of 1.89 times annual revenue to estimated maximum annual debt service on all campus student union bonds before operating costs. Funds for operations are paid from net revenues available on a year-to-year basis after meeting all bond repayment and bond revenue requirements.

Financial Plan

At the time this agenda item was prepared, construction bids for the project exceeded the previously approved project budget. As a result, a separate item is before the trustees' Committee on Campus Planning, Buildings and Grounds at this meeting requesting the trustees to amend the Campus Nonstate Capital Outlay Program for the construction phase of the project. The principal factors for the increase in the project cost are: the current bidding climate; a shortage of skilled labor and certain construction materials in the San Francisco area; the cost of construction access and staging; and building security during construction was underestimated. A new financial plan was prepared by the campus and the union identifying the financial resources that will support the increase in project costs and will adequately meet all bond covenant requirements.

Orrick, Herrington & Sutcliffe LLP as bond counsel for the trustees is preparing resolutions for the sale and issuance of revenue bonds to be presented for approval at this meeting that will achieve the following:

1. Authorize the sale and issuance of the San Francisco State University Student Union Revenue Bonds, Series B, in an amount not to exceed \$12,950,000 and certain actions relating thereto including the approval of the form of the Notice of Sale as presented to the board at this meeting.
2. Approve the form of the official statement prepared by Sutter Securities, financial advisor, and presented to the board at this meeting.
3. Provide a delegation to authorize the chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, and the director of financing and risk management to take any and all necessary actions to execute documents for the sale and issuance of the bonds.

The resolutions being prepared by bond counsel and the form of the official statement will be distributed at this meeting and presented for approval.