

**MINUTES OF MEETING OF CSU INSTITUTE BOARD**

Chancellor's Office  
401 Golden Shore, 6<sup>th</sup> Floor, Rm. 639  
Long Beach, CA

June 27, 2011

2:00 pm – 2:15 pm

**Board Directors Present**

1. Charles Reed, Chairman
2. Benjamin F. Quillian, Treasurer
3. Ephraim P. Smith, Secretary

**Staff Present**

1. George V. Ashkar, Assistant Vice Chancellor, Financial Services
2. Robert Eaton, Senior Director, Financing & Treasury
3. Kelly Cox, Associate Director, Systemwide & Chancellor's Office Enterprise Accounting

Chairman Reed called the meeting to order at 2:00 pm.

Minutes were taken by staff (Robert Eaton).

**Approval of Institute Board minutes of March 15, 2011 (action item)**

Chairman Reed asked the Board if there were any questions regarding the Institute Board Minutes of March 15, 2011 and as there were none, asked for a motion to approve the minutes. Secretary Smith so moved and Treasurer Quillian seconded the motion. The minutes were approved unanimously.

**Approval of Institute Audit Committee Minutes of March 21, 2011 (action item)**

Chairman Reed asked the Board if there were any questions regarding the Institute Audit Committee Minutes of March 21, 2011 and as there were none, asked for a motion to approve the minutes. Treasurer Quillian so moved and Secretary Smith seconded the motion. The minutes were approved unanimously.

**Presentation of an update of the California State University Institute's commercial paper program (information item)**

Robert Eaton presented an information item regarding an update of the California State University Institute's Commercial Paper Program (Program).

Eaton stated that the Program's outstanding commercial paper balance is approximately \$135 million with a weighted average interest rate of about 24 basis points. Eaton noted that new commercial paper of approximately \$9 million will be issued on July 7 for the Chico Parking Structure 2 project, bringing total commercial paper to about \$143 million. One project—the San Diego Aztec Student Union renovation project—will be coming before the CSU Board of Trustees (BOT) meeting in July, but that project will likely go straight to bonds and not need any commercial paper. Chairman Reed asked about the expected timing and size of the bond sale, and Eaton indicated that it would likely be in late August with about \$240-250 million in commercial paper take-out/new money and the possibility of some refundings, including an

auxiliary project at Fresno of about \$ 7 million and some Systemwide Revenue Bonds, that could add another \$100 million or so to the size of the sale. Eaton also noted that the annual rate charged to campus projects for fiscal year 2011-2012 under the Equipment Program had been set at 3.50%.

Presentation of the California State University Institute's 2011-12 Budget (action item)

George Ashkar presented an action item seeking approval of the California State University Institute's Budget for the fiscal year 2011-12 (Budget).

Ashkar noted that the basic methodologies used to develop the Budget were unchanged from those used in prior years. For example, under All Campus Projects, the projects are billed at levels to recover costs, thus the program is designed to operate at about breakeven. Ashkar noted that, for the actual results (through May) for 2010-11, there is a \$278K deficit, but this is due to the fact that there was a surplus leftover from the previous year, which was utilized first and reduced the actual cost recovery billings for the year. For the Equipment program, Ashkar indicated that the Budget shows a surplus in order to be conservative and ensure that there is sufficient cash on hand to meet any increases in the financing costs of the program, reminding the Board that, unlike the All Campus Program, where we have the ability to adjust our cost recovery based on movements in interest rates, for the Equipment program, the rate at which campus' repay their obligations is set once a year, so a cushion is built into the Budget against CP rate/cost fluctuations. Ashkar indicated that if these surpluses get too high, the Institute has bought down the annual rate as a means of returning some of the surplus to the campuses.

Ashkar also highlighted the expected reduction in investment earnings resulting from the liquidation of the equity portfolio in December, as well as a \$10,000 reduction in annual audit fees that has been negotiated with KPMG, consistent with the CSU's overall efforts to reduce audit fees for the system.

Treasurer Quillian asked about the significant increase in BAN Interest Recovery and Ashkar explained that this line item is tied to the change in CP Program Interest Expense, and that actual interest rates on commercial paper for 2010-11 were in the range of 25-30 basis points, while the Budget was taking a conservative approach and estimating rates for 2011-12 at 50 basis points. Eaton added that should actual rates be higher or lower than the 50 basis points, the programs have a lot of flexibility built into them and that the Institute would not be adversely affected.

Chairman Reed asked a clarifying question regarding the estimated drop in investment earnings and Ashkar explained that the actuals for this year include a capital gain on the closure of the equity account, but that going forward, the Institute will only have fixed income investments, thus a much lower expected investment return.

Chairman Reed asked the Board if there were any questions and as there were none asked the Board for a motion to approve the Budget. Treasurer Quillian so moved and Secretary Smith seconded the motion. The Budget was approved unanimously.

Meeting was adjourned at 2:15 pm.

Respectfully submitted,

 10/3/2011

Ephraim P. Smith, Secretary

Date