AGENDA

JOINT COMMITTEES ON
FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS

Meeting: **11:00 a.m., Tuesday, November 13, 2018**
Glenn S. Dumke Auditorium

Committee on Finance

John Nilon, Chair
Peter J. Taylor, Vice Chair
Jane W. Carney
Douglas Faigin
Emily Hinton
Jack McGrory
Hugo N. Morales
Lateefah Simon
Christopher Steinhauser

Committee on Campus Planning, Buildings and Grounds

Rebecca D. Eisen, Chair
Romey Sabalius, Vice Chair
Jane W. Carney
Wenda Fong
John Nilon
Christopher Steinhauser
Peter J. Taylor

Consent

1. Approval of Minutes of the Meeting of January 31, 2018, *Action*

Discussion

2. Approval of the 2019-2020 through 2023-2024 Five-Year Capital Plan and Multi-Year Financing Authorization, *Action*
3. Approval to Issue Board of Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments and Amend the 2018-2019 Capital Outlay Program for the Acquisition of Real Property for Sonoma State University, *Action*

MINUTES OF THE JOINT MEETING OF THE COMMITTEES ON FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS

Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Conference Center
401 Golden Shore
Long Beach, California

January 31, 2018

Committee on Finance

Peter J. Taylor, Chair
John Nilon, Vice Chair
Jane W. Carney
Adam Day
Hugo N. Morales
Jorge Reyes Salinas

Committee on Campus Planning, Buildings and Grounds

John Nilon, Chair
Jane W. Carney, Vice Chair
Adam Day
Romey Sabalius
Peter J. Taylor

Rebecca D. Eisen, Chair of the Board
Timothy P. White, Chancellor

Trustee John Nilon called the meeting to order. There were no requests for public comment.

Approval of Minutes

The minutes of the November 15, 2016 joint committees meeting were approved as submitted.

Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments and Approval of Related Actions for the Extended Learning Building and Parking Structure Project at California State University San Marcos

Trustee Nilon presented agenda item two as a consent action item. The committee recommended approval of the proposed resolution (RFIN/CPBG 01-18-01).

Summary of California State University Public-Private Partnerships

Information about the various types of public-private partnership projects of the CSU was reviewed.

Following the presentation, the trustees asked about the campus vetting process and requirements for new projects, the difference between commercial and mixed-use developments, use of revenue funds, and how best to support non-revenue generating projects such as academic buildings.

Trustee Nilon adjourned the meeting.

JOINT COMMITTEES ON
FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS

Approval of the 2019-2020 through 2023-2024 Five-Year Capital Plan and Multi-Year Financing Authorization

Presentation By

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

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

This item presents for approval the Five-Year Capital Plan covering the period from 2019-2020 through 2023-2024 and proposes multi-year financing authorization for a portion of the academic facilities included in the Five-Year Capital Plan. The intent of the multi-year financing approach is to increase campus certainty of funding by utilizing available funds originally appropriated to the California State University for annual debt service payments for General Obligation and State Public Works Board Bonds, as well as a portion of the current base funding appropriation. By increasing funding certainty, campuses will be able to improve project planning efforts, co-fund projects, and make good use of the limited operating funds.

The Five-Year Capital Plan totals over $16 billion and is comprised of academic and self-support projects as well as a list of infrastructure improvement projects addressing critical utilities, seismic, fire and life-safety, accessibility, and other improvements across all campuses. The Five-Year Plan can be found at http://calstate.edu/cpdc/Facilities_Planning/majorcapoutlayprogram.shtml. The list of priority projects for the first year of the plan is provided in Attachment A.

A multi-year financing authorization in a not-to-exceed amount of $1.1 billion is being proposed to fund academic project priorities and enable the CSU to implement a portion of the Five-Year Plan. The funds will enable the CSU to renovate aging facilities and provide limited growth to support the Graduation Initiative and the workforce needs of the global economy.

Background

The primary objectives of the capital outlay program are to provide facilities appropriate to the CSU's educational programs, to create environments conducive to learning, and to ensure that the quality and quantity of facilities at each of the 23 campuses serve students equitably. The Board of Trustees approved the Categories and Criteria for Priority Setting for the Five-Year Capital Plan (the "Categories and Criteria") at their May 2018 meeting. The Categories and Criteria guide the development of each campus's five-year plans and the proposed academic priority list and self-support summary list.

The Preliminary Five-Year plan was presented as an information item at the September 2018 Board of Trustees meeting to seek input and provide an update on the use of capital and facilities renewal funding. The September item included information on projects completed since 2014 addressing systemwide needs in the areas of utility infrastructure, renovation/replacement of existing facilities, Science Technology Engineering and Mathematics, seismic strengthening, and additional capacity to serve enrollment growth.

2019-2020 through 2023-2024 Five-Year Capital Plan

The Five-Year Capital Plan identifies the campuses' capital project priorities to address facility deficiencies and accommodate student enrollment growth. The campuses have identified a funding need of more than $16 billion for the five-year period with over $10 billion for academic facilities and approximately $6 billion for self-support facilities.

For each campus the plan includes:

- Campus history
- Campus master plan map and building legend (including off-campus centers)
- Current Five-Year Plan
- Previous Five-Year Plan Funding

Systemwide information includes:

- Campus summaries of state/CSU funding, and self-support funding
- Charts and graphs of campus housing, parking capacity, and planned projects
- Seismic Safety Action Plan (10-year period)
- Summary of Greenhouse Gas Emissions
- Summary of Renewal Backlog and Annual Renewal Need for Academic Facilities and Infrastructure

Since the September 2018 Board of Trustees meeting, minor changes and corrections have been made to the Five-Year Plan. Those revisions impact the proposed project scope, budget, and schedule. As shown in Attachment A, the academic priority list for 2019-2020 totals $1.9 billion, and the self-support list totals $125 million, for a total of about $2 billion in the first year.

Projects included in the academic projects priority list address:

- Correcting infrastructure deficiencies
- Renovating or replacing existing facilities
- Constructing new classrooms, labs, faculty offices, or instructional support space to accommodate growth in student enrollment

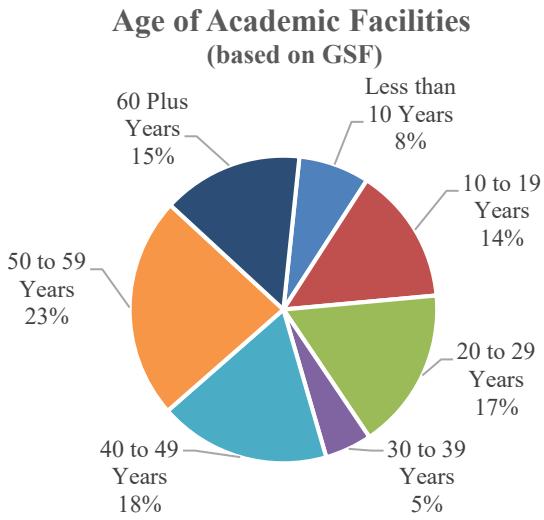
The prioritization of academic projects uses the criteria established by the Board of Trustees by proposing correction of critical infrastructure as the top priority, advancing the replacement and renewal of existing space (particularly those with hazardous materials), supporting co-funding of projects, and managing growth. The priority list also identifies those projects that include a seismic strengthening component.

To inform the recommended prioritization of academic projects, several reports are used to weigh the relative need of a project:

- Summary of Campus Capacity – compares projected full-time equivalent (FTE) enrollment to FTE seat capacity to quantify lecture, lab, and faculty office needs
- Laboratory Enrollment versus Laboratory Capacity – to evaluate access to lab teaching space by discipline
- Utilization Report – provides classroom and lab use by room size

These reports compare projected enrollment to available space using legislative or CSU standards. Campuses also submit a project justification, feasibility study, and other back-up material that are used to help assess relative need and balance the needs of the system.

As reported in September, the need for campus academic and infrastructure projects continues to grow as our facilities age. The chart shows that 56 percent of the academic facilities gross square feet are 40 years old or more – and of that amount 15 percent are more than 60 years old. The cost to replace building and utility systems that have passed their useful life now approaches $3.7 billion.



To address the aging facilities, per the Board of Trustees criteria, the capital program has prioritized the use of funds to address critical infrastructure needs and renovate or replace existing facilities. The CSU continues to work on improved tracking of funded projects implemented to reduce the backlog and extend the life of the building, and structure the capital program to leverage systemwide funds/financing for infrastructure with the operating funds reserved by campuses to address major repairs and classroom renewal.

Financing of the self-support capital projects will continue to come forward to the Board of Trustees on an individual basis.

Academic Projects Multi-Year Bond Authorization

In November 2016, the Board of Trustees approved a $1 billion multi-year financing plan to address academic facility and infrastructure needs identified in the 2019-2020 through 2023-2024 Five-Year Plan. In response to the significant need across the system, the strategy to address our aging and outdated facilities involves using existing resources to support additional debt and requesting additional funding and financing, as follows:

1) Use the remaining bond financing authority approved in November 2016 to fund approximately $180 million.
2) Use existing operating base budget capital funding to finance an amount not to exceed $1.1 billion over several years.
3) Seek additional permanent operating budget funding of $80 million to support up to $1.2 billion of additional debt for capital outlay/facilities infrastructure.
4) Seek $250 million one-time funding for infrastructure replacement and deferred maintenance.
5) Support General Obligation bond efforts with debt service funded by the state.

Board of Trustee Resolutions and Recommendation

The following resolutions are presented for approval:

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

1. The 2019-2020 through 2023-2024 Five-Year Capital Plan totaling $16.2 billion is approved.

2. The chancellor is authorized to proceed in 2018-2019 with design and construction to fast-track projects in the 2019-2020 through 2023-2024 Five-Year Plan.

3. The chancellor is requested to explore all reasonable funding methods available and communicate to the Board of Trustees, the governor, and the legislature the need to provide funds to develop the facilities necessary to serve the academic program and all eligible students.

4. The chancellor is authorized to make adjustments to the Five-Year Capital Plan, including the priority sequence, scope, phase, project cost, financing source, and total budget request for the Program and report budget adjustments in the subsequent Five-Year Plan.

5. The chancellor is authorized to make adjustments in the projects to be financed as necessary to maximize use of the limited financing resources and in consideration of the CSU's priorities for funding capital outlay projects.

Furthermore,

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the projects described in this agenda item. The proposed resolutions will be distributed at the meeting and will achieve the following:

1. Authorize the sale and issuance of Systemwide Revenue Bond Anticipation Notes, and/or the related or stand-alone sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not to exceed $1.1 billion and certain actions relating thereto.

2. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Financial Services; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes, the revenue bonds, and the related debt instruments.

Approval of the resolutions as described in this Agenda Item 2 of the Joint Committees on Finance and Campus Planning, Buildings and Grounds at the November 13-14, 2018, meeting of the CSU Board of Trustees is recommended.

JOINT COMMITTEES ON
FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS

Approval to Issue Board of Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments and Amend the 2018-2019 Capital Outlay Program for the Acquisition of Real Property for Sonoma State University

Presentation By

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

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

This item requests the following actions by the California State University Board of Trustees for Sonoma State University Petaluma Property Acquisition project:

1. Approval of an amendment to the 2018-2019 capital outlay program for the acquisition of real property.

2. Authorization of the issuance of long-term Systemwide Revenue Bond (SRB) financing and related debt instruments, including shorter term and variable rate debt, floating and fixed rate loans placed directly with banks, and bond anticipation notes (BANs) to support interim financing under the CSU commercial paper (CP) program, in an aggregate amount not-to-exceed $37,020,000.

The Board of Trustees is being asked to approve the resolutions related to the acquisition and financing of the project.

Property Acquisition

The newly constructed project is located at 785 Baywood Drive, Petaluma, California 94954. The project includes an existing 90-unit multi-family housing facility and 180-surface parking spaces on 2.17-acres. The property will be owned and managed by the campus housing program and used to help meet campus workforce housing needs and future student demand for housing.

Thorough due diligence has been completed to identify any potential issues which may result in unnecessary costs associated with, for example, environmental concerns, land use, building construction, or to identify other restrictions on the property or title issues which may impact the intended use. Third-party experts were engaged to conduct a property appraisal, a facility condition assessment, a phase 1 environmental (hazard) assessment, a title report, and an ADA compliance review. A geotechnical exploration report was also reviewed, and a structural and seismic assessment by a member of the CSU Seismic Review Board was completed. Results of the due diligence process did not identify any reasons to reject the proposed purchase.

Financing

The SRB program provides capital financing for self-support projects of the CSU, including housing, parking, student union, health center, continuing education facilities, certain auxiliary projects, and other projects, including academic facilities, approved by the Board of Trustees. Revenues from these programs and other revenues approved by the Board of Trustees, including CSU operating funds, are used to meet operational requirements of the projects and to pay debt service on bonds issued to finance the projects. The consolidated pledge of gross revenues to the bondholders strengthens the SRB program and has resulted in strong credit ratings and low borrowing costs for the CSU. Prior to issuance of bonds, some projects are funded through BANs issued by the CSU in support of its CP program. The BANs are provided to the CSU Institute, a recognized systemwide auxiliary organization, to secure the CSU Institute's issuance of CP used to finance the projects. CP notes provide greater financing flexibility and lower short-term borrowing costs during project construction than long-term bond financing. Proceeds from the issuance of bonds are then used to retire outstanding CP and finance any additional costs.

The not-to-exceed par amount of the proposed bonds is $37,020,000 based on a sale price of $42 million and a campus housing reserve contribution of $5.5 million. Additional net financing costs, such as issuance costs (estimated at $520,000), are expected to be funded from bond proceeds. The campus anticipates closing the acquisition in early 2019.

The following table summarizes key information about this financing transaction:

Not-to-exceed amount	$37,020,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	$2,399,745
Projected debt service coverage including the new project: Net revenue – Sonoma pledged revenue programs: [1] Net revenue – Projected campus housing program:	 1.74 1.46

1. Combines 2017-2018 information for all campus pledged revenue programs with 2020-2021 projections for the project.

The not-to-exceed amount for the project, the maximum annual debt service, and the financial ratios above are based on an all-in interest cost of 5.15 percent, which includes a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan assumes level amortization of debt service, which is the CSU program standard. The campus financial plan projects a housing program net revenue debt service coverage of 1.46 in fiscal year 2020-2021, the first full year of operations for the project, which appropriately exceeds the CSU benchmark of 1.10 for the program. Combining the project projections for 2020-2021 with 2017-2018 information for all campus pledged revenue programs yields a campus net revenue debt service coverage for the first full year of project operations of 1.76, which exceeds the CSU benchmark of 1.35.

Board of Trustee Resolutions and Recommendation

The following resolutions are presented for approval:

RESOLVED, by the Board of Trustees of the California State University, that:

1. The 2018-2019 capital outlay program is amended to include the acquisition of real property for Sonoma State University.

2. The chancellor, or his designee, is delegated the authority to negotiate the final agreement for the purchase of the property contingent on the results of the due diligence.

Furthermore,

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the project described in this agenda. The proposed resolutions will be distributed at the meeting and will achieve the following:

1. Authorize the sale and issuance of the Board of Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of related Systemwide Revenue Bond Anticipation Notes, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not to exceed $37,020,000 and certain actions relating thereto.

2. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Financial Services; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes, the revenue bonds, and the related debt instruments.

Approval of the resolutions for this project as described in this Agenda Item 3 of the Joint Committees on Finance and Campus Planning, Buildings and Grounds at the November 13-14, 2018, meeting of the CSU Board of Trustees is recommended for:

Sonoma State University Petaluma Property Acquisition