

## AGENDA

### COMMITTEE ON FINANCE

**Meeting:** **1:15 p.m., Tuesday, May 18, 2021**  
**Virtually via Teleconference**

Jack McGrory, Chair  
Peter J. Taylor, Vice Chair  
Larry L. Adamson  
Jane W. Carney  
Jack Clarke, Jr.  
Wenda Fong  
Maryana Khames  
Anna Ortiz-Morfit  
Krystal Raynes  
Lateefah Simon

- Consent**
1. Approval of Minutes of the Meeting of March 23, 2021, *Action*
  2. California State University, Monterey Bay Conceptual Approval of a Public-Private Partnership Mixed-Use Development Project, *Action*
  3. California State University Annual Debt Report, *Information*
  4. California State University Quarterly Investment Report, *Information*
- Discussion**
5. 2021-2022 Operating Budget Update, *Information*
  6. Auxiliary Organizations, *Information*

**MINUTES OF THE MEETING OF THE  
COMMITTEE ON FINANCE**

**Trustees of the California State University  
Office of the Chancellor  
Glenn S. Dumke Auditorium\***  
**401 Golden Shore  
Long Beach, California**

**March 23, 2021**

**Members Present**

Jack McGrory, Chair  
Peter J. Taylor, Vice Chair  
Larry L. Adamson  
Jane W. Carney  
Jack Clarke, Jr.  
Wenda Fong  
Maryana Khames  
Anna Ortiz-Morfit  
Krystal Raynes

Lillian Kimbell, Chair of the Board  
Joseph I. Castro, Chancellor

Trustee Jack McGrory called the meeting to order.

**Public Comment**

Public comment took place at the beginning of the meeting's open session, prior to all committees.

**Approval of the Consent Agenda**

The minutes of the January 26, 2021 meeting of the Committee on Finance were pulled from the consent agenda. Trustee Romey Sabalius requested the minutes be amended to change reference of "a few trustees" to "the trustees" and to add Chancellor Joseph Castro's remarks related to layoffs. Chancellor Castro stated that the minutes should use language from his remarks that day and will be updated accordingly. The minutes were approved as amended.

**\*PLEASE NOTE:** Due to the Governor's proclamation of a State of Emergency resulting from the threat of COVID-19, and pursuant to the Governor's Executive Orders N-25-20 and N-29-20 issued on March 12, 2020 and March 17, 2020, respectively, all members of the Board of Trustees may participate in meetings remotely, either by telephonic or video conference means. Out of consideration for the health, safety and well-being of the members of the public and the Chancellor's Office staff, the March 23, 2021 meeting of the CSU Board of Trustees was conducted entirely virtually via Zoom teleconference.

## **California State University Information Security**

Information about the CSU's cybersecurity efforts, risks, and practices was shared. Cyber attacks continue to grow in numbers and severity and have affected many institutions at varying levels. One effort to reduce the risk of attacks requires all faculty, staff, and students to use two-factor authentication to gain access to campus systems. The CSU has shared policies, standards, and best practices across the system and takes every effort to secure personal information. It also works collaboratively and continuously with national and state information security organizations and law enforcement to evaluate and update practices.

Ten CSU campuses are helping address this national issue by offering cybersecurity certificates and degrees. President Tomás Morales of CSU San Bernardino shared how the campus program is helping prepare students to succeed in this challenging field.

Following the presentation, the trustees inquired about two-factor authentication and phishing attempts. The trustees requested information about online proctoring contracts and how the CSU ensures that vendors protect personal information. Chief Information Officer Michael Berman responded that contracts contain specific language that holds vendors accountable for providing the same information security standards as the CSU. Trustee Krystal Raynes requested to see this language in the contracts and Dr. Berman agreed to share it with her.

The trustees asked if there has been a rise in cybersecurity attacks and were informed that there has been an increase due to everyone having offsite access to systems. Campuses are the first line of defense in cybersecurity and all campuses must follow systemwide policies and standards. The Chancellor's Office supports information security for systemwide applications like the common systems for finance, human resources, and students.

Trustee McGrory adjourned the meeting of the Committee on Finance.

## **COMMITTEE ON FINANCE**

### **California State University, Monterey Bay Conceptual Approval of a Public-Private Partnership Mixed-Use Development Project**

#### **Presentation By**

Steve Relyea  
Executive Vice Chancellor and  
Chief Financial Officer

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

Eduardo M. Ochoa  
President  
California State University, Monterey Bay

#### **Summary**

This item requests conceptual approval to pursue a public-private partnership (P3) plan for a mixed-use development on the California State University, Monterey Bay campus.

#### **Background**

In July 2016, the Board of Trustees of the California State University Board approved a conceptual plan for a sports complex project under a public-private partnership structure. However, the project was deemed infeasible based on unrealistic assumptions in the pro forma. In 2017, as part of its campus master planning process, the campus identified potential sites for future P3 developments in line with university objectives to enhance athletic, wellness, student, and educational facilities. These identified sites allow the university to define its campus edge and relationship with the surrounding community, as well as provide an opportunity to establish long-term assets and revenue streams to support its mission. In 2019, the campus commissioned a real estate advisor and consultant to conduct a multi-asset market analysis, which was subsequently postponed in 2020 due to the COVID-19 pandemic but later resumed in late 2020. Findings from the analysis indicated favorable demand and potential for a mixed use P3 development that includes multifamily housing, retail, and commercial office facilities.

## **Project Description**

The project proposes the first phase of a multi-phase construction development, comprised of 445,000 gross square feet of multifamily housing, retail, and office facilities on approximately 22 acres of the total 72-acre vacant site located in the northwest corner of the campus along Second Avenue and Eighth Street. The project serves as the campus boundary with new City of Marina development and provides an opportunity for the university to activate a vacant Second Avenue street front as envisioned in the land reuse documents governing the original transfer of a portion of the old Fort Ord site to the CSU for the establishment of the campus. Through site design and trail placement, the project will also further link the campus community by bike connections to adjacent uses, including retail, restaurants, movie theater, Veteran's Hospital, new housing, and the State Dunes Park (beach) via building placement along Second Avenue. The project will complement adjacent development by providing new uses and will demonstrate the campus' commitment to cutting edge sustainable and smart growth development principles.

In March 2021, the campus received support from the Land Development Review Committee for the project concept.

## **Budget and Financing**

The campus anticipates leasing the site under a long-term ground-lease structure to a development team selected through competitive processes. The lease will be structured to ensure that the campus receives ground-lease rent based upon fair market value of the land, at minimum. It is anticipated that the campus will fund the California Environmental Quality Act process for the project site with the cost being reimbursed by the developer. The developer will also be responsible for reimbursing the campus for all costs associated with the environmental and entitlement processes in accordance with CSU requirements. No other campus or auxiliary funds will be committed to the project and the developer team will be responsible for the related financing, construction, and management of the property during the term of the lease. Through provisions in the legal documents, the campus will ensure that the construction of each facility is consistent with design standards established for the project and that each facility is well maintained and adequately funded by maintenance reserves throughout the life of the agreement.

## **Educational Benefits**

The project benefits the campus by providing expanded academic and research opportunities, internships, and employment opportunities, particularly with the College of Science, College of Health Sciences and Human Services, and the College of Business. The project's office space component can be used as business incubators and education spaces, providing opportunities for academic learning, student internships, and part-time employment.

The University fully intends to strongly engage with the selected development partner to create the most desirable environment to foster these educational benefits.

## **Approval of the Final Development Plan**

Per Board of Trustees policy, as the project moves forward, all related master plan revisions, amendments of the capital outlay program, proposed schematic plans, financial plans, proposed key business points of the finalized development plan, and the required environmental documents will be presented at future meetings for final approval by the board prior to execution of any commitments for development and use of the property.

### **Recommendation**

The following resolution is presented for approval:

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

1. Approve the concept of a public/private partnership for a mixed-use development and the release of the Request for Proposals;
2. Authorize the chancellor and the campus to enter into negotiations for agreements as necessary to develop a final plan for the public/private partnership as explained in Agenda Item 2 of the May 17-19, 2021 meeting on the Committee on Finance;
3. Authorize the chancellor and the campus to enter into a due diligence access and option agreement which provides the developer with a limited-term option along with the responsibility for the development of a final plan, schematic drawings, and necessary environmental analyses during the option period;
4. Will consider the following additional action items relating to the final plan:
  - a) Certification of Final California Environmental Quality Act (CEQA) documentation.
  - b) Approval of a development and financial plan negotiated by the campus and the developer with the advice of the Chancellor;
  - c) Approval of an amendment to the Non-State Capital Outlay Program;
  - d) Approval of the schematic design.

## **COMMITTEE ON FINANCE**

### **California State University Annual Debt Report**

#### **Presentation By**

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

#### **Summary**

This item reports on the debt of the California State University Systemwide Revenue Bond program in accordance with the CSU Policy on Financing Activities (RFIN/CPBG 11-14-01).

#### **Background**

The Systemwide Revenue Bond (SRB) program, under the provisions and authorities of The State University Revenue Bond Act of 1947 (Education Code Sections 90010-90083), was established by the California State University Board of Trustees at its March 2002 meeting. Since the inception of the SRB program, the CSU Policy on Financing Activities has set forth the principles that serve as the basis for the SRB program and has provided the chancellor with authority to establish procedures for the management of the SRB program consistent with the Board of Trustees' objectives for the use of debt, including the establishment of benchmark financial ratios to ascertain the financial viability of projects to be financed with CSU debt. The current CSU Policy on Financing Activities (RFIN/CPBG 11-14-01) was amended by the Board of Trustees in November 2014 and is included as Attachment A.

The SRB program provides capital financing for projects of the CSU approved by the Board of Trustees, including student housing, parking, student union, health center, continuing education facilities, certain auxiliary projects, and other academic facilities. Revenues from these programs and revenues approved by the Board of Trustees, including CSU operating funds, are used to meet operational requirements for the projects and to pay debt service on the debt issued to finance the projects. A strength of the SRB program is its consolidated pledge of gross revenues to the bondholders, which has resulted in strong credit ratings and low borrowing costs for the CSU.

Since the inception of the SRB program, the CSU has also issued commercial paper (CP) primarily to provide campuses with short term, lower cost capital financing on projects until long term bonds are sold. The CSU Institute, a systemwide auxiliary of the CSU, issues the CP, which is secured by Bond Anticipation Notes issued by the CSU. The CSU currently has a CP program in the amount of \$300 million, although both the Board of Trustees and the CSU Institute have authorized a CP program up to \$500 million. The CP program is supported by letters of credit from State Street and Wells Fargo N.A. that expire in May 2025.

## **SRB and CP Portfolio Profile**

As of June 30, 2020 and April 30, 2021, outstanding SRB debt of the CSU was approximately \$7.2 billion and approximately \$7.9 billion, respectively.

Key characteristics of the SRB portfolio are as follows:

Debt Ratings:	Aa2 (Moody's) AA- (Standard & Poor's)
Weighted Average Cost of Capital:	3.41%
Weighted Average Maturity:	14.9 Years
Interest Rate Mix:	97% Long Term Fixed Rate 3% Short Term Fixed Rate

As of April 30, 2021, outstanding CP was \$63.7 million at a weighted average interest rate of 0.11 percent.

## **SRB Operating Performance and Debt Service Coverage Ratios**

For the fiscal years ended June 30, 2018, June 30, 2019, and June 30, 2020, operating performance and debt service coverage ratios for the SRB program were as follows (amounts in millions):

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Operating Revenues <sup>1</sup>	\$5,250	\$5,326	\$5,188
Operating Expenses <sup>1</sup>	1,794	1,763	1,864
Net Revenues	3,456	3,563	3,324
Annual Debt Service	\$363	\$384	\$423
Debt Service Coverage <sup>2</sup>	<b>9.52</b>	<b>9.28</b>	<b>7.86</b>

- (1) Operating Revenues and Operating Expenses reflect the addition of student tuition fee revenue to the SRB pledge of gross revenues and the addition of associated expenses, effective April 2016.
  - (2) The minimum benchmark for the system, as established by executive order, is 1.45.

## Activity since the March 2020 Annual Debt Report

### Series 2020C, Series 2020D, and Series 2020E SRB Issuance

In August 2020, the CSU issued \$1,308,615,000 of SRBs comprised of the following series:

Series 2020C (Tax-exempt):	\$314,030,000
Series 2020D (Taxable):	\$528,575,000
Series 2020E (Taxable):	<u>\$466,010,000</u>
Total par amount of the bonds:	\$1,308,615,000

All of the Series 2020C and 2020E bonds were issued for new money projects at all-in true interest costs of 2.52 percent and 2.96 percent, respectively. The bulk of the Series 2020D bonds were used to refund outstanding SRB debt for net present value savings of about \$64 million, with year one cash flow savings of about \$15.6 million.

### Projects Approved for Financing under Delegated Authority

In March 2018, the Board of Trustees amended Section II.f. of its Standing Orders in order to delegate authority to the Chancellor to, among other things, authorize debt financing for projects valued up to \$40 million and authorize debt financing for all remodels, parking structures, and utilitarian projects, regardless of cost.

In September and December 2020, under this delegation of authority, the Chancellor authorized debt financing for the following five projects:

- California State University, Long Beach Housing Administration and Commons project with a not-to-exceed financing amount of \$19,785,000
- California State University, Long Beach Hillside Los Cerritos and Los Alamitos Renovation project with a not-to-exceed financing amount of \$32,400,000
- California Polytechnic State University, San Luis Obispo Dining Complex Renovation (Building 19) auxiliary project with a not-to-exceed financing amount of \$16,400,000
- California State University, Monterey Bay Capital Improvement auxiliary project with a not-to-exceed financing amount of \$17,590,000
- San Francisco State University Science Building (Continuing Education Portion) project with a not-to-exceed financing amount of \$20,525,000

All five projects met CSU debt financing benchmarks. All five are presently in CP and are expected to be included in a future SRB issuance.

**CSU Policy for Financing Activities**  
**Board of Trustees' Resolution**  
**RFIN/CPBG 11-14-01**

**WHEREAS**, The Board of Trustees of the California State University ("the Board" or "the Trustees") finds it appropriate and necessary to use various debt financing programs afforded to it through the methods statutorily established by the legislature, and to use to its advantage those programs available to it through debt financing by recognized auxiliary organizations of the California State University; and

**WHEREAS**, The Board recognizes the capital needs of the CSU require the optimal use of all revenues to support its academic mission; and

**WHEREAS**, The Board wishes to establish and maintain policies that provide a framework for the approval of financing transactions for the various programs that enable appropriate oversight and approval by the Trustees; and

**WHEREAS**, Within a policy framework, the Board desires to establish appropriate delegations that enable the efficient and timely execution of financing transactions for the CSU and its recognized auxiliary organizations in good standing; and

**WHEREAS**, The Board recognizes that there is a need from time to time to take advantage of rapidly changing market conditions by implementing refinancings or restructurings; and

**WHEREAS**, The Board finds it appropriate to use the limited debt capacity of the CSU in the most prudent manner; and

**WHEREAS**, There are certain aspects of the tax law related to the reimbursement of up-front expenses from tax-exempt financing proceeds that would be more appropriately satisfied through a delegation to the Chancellor without affecting the Trustees' ultimate approval process for such financings; now, therefore be it

**RESOLVED**, by the Board of Trustees of the California State University as follows:

**Section 1. General Financing Policies**

**1.1** The State University Revenue Bond Act of 1947 (1947 Bond Act) and Education Code Sections 89770-89774 (EC 89770-89774) (collectively, the "CSU Bond Acts") provide the Board of Trustees with the ability to acquire,

construct, finance, or refinance projects funded with debt instruments repaid from various revenue sources.

**1.2** The long-term debt programs of the Board of Trustees established pursuant to the CSU Bond Acts shall be managed by the Chancellor, to the greatest extent possible, to credit rating standards in the "A" category, at minimum.

**1.3** The intrinsic rating of any debt issued by the Trustees shall be at investment grade or better.

**1.4** The Trustees' debt programs should include the prudent use of variable rate debt and commercial paper to assist with lowering the overall cost of debt.

**1.5** The Trustees' programs shall be designed to improve efficiency of access to the capital markets by consolidating bond programs where possible.

**1.6** The Chancellor shall develop a program to control, set priorities, and plan the issuance of all long-term debt consistent with the five-year capital outlay program.

**1.7** The Chancellor shall annually report to the Trustees on the activity related to the issuance of long-term debt.

## **Section 2. Financing Structure of the CSU's Debt Programs**

**2.1** To use the limited debt capacity of CSU in the most cost effective and prudent manner, all on-campus student, faculty, and staff rental housing, parking, student union, health center, and continuing education capital projects will be financed by the Trustees using a broad systemwide multi-source revenue pledge under the authority of the CSU Bond Acts in conjunction with the respective authority of the Trustees to collect and pledge revenues.

Other on-campus and off-campus projects, including academic and infrastructure support projects, will also be financed through this structure under the authority of the CSU Bond Acts, unless there are compelling reasons why a project could not or should not be financed through this structure (see Section 3 below).

**2.2** The Chancellor is hereby authorized to determine which revenues may be added to the broad systemwide multi-source revenue pledge under the authority granted by the CSU Bond Acts, to determine when such revenues may be added,

and to take appropriate action to cause such additional revenues to be pledged to CSU debt in accordance with the CSU Bond Acts.

**2.3** The Chancellor shall establish minimum debt service coverage and other requirements for financing transactions undertaken under the CSU Bond Acts and/or for the related campus programs, which shall be used for implementation of the Trustees' debt programs. The Chancellor shall also define and describe the respective campus program categories.

**2.4** The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized and directed, for and in the name and on behalf of the Trustees, to take any and all actions necessary to issue bonds pursuant to the CSU Bond Acts to acquire or construct projects. Authorized Representatives of the Trustees, with the advice of the General Counsel, are authorized to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, all bond resolutions, bond indentures, official statements and all other documents, certificates, agreements and information necessary to accomplish such financing transactions.

**2.5** The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized and directed, for and in the name and on behalf of the trustees, to take any and all actions necessary to refinance any existing bonds issued pursuant to the CSU Bond Acts. Authorized Representatives of the Trustees, with the advice of the General Counsel, are authorized to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, all bond resolutions, bond indentures, official statements and all other documents, certificates, agreements and information necessary to accomplish such refinancing transactions.

### **Section 3. Other Financing Programs**

**3.1** The Board recognizes that there may be projects, or components of projects, that a campus wishes to construct that are not advantaged by, or financing is not possible for, or are inappropriate for financing under the CSU Bond Acts. A campus president may propose that such a project be financed as an auxiliary organization or third party entity financing, if there is reason to believe that it is more advantageous for the transaction to be financed in this manner than through the CSU Bond Acts financing program.

**3.1.1** Such financings and projects must be presented to the Chancellor for approval early in the project's conceptual stage in order to proceed. The approval shall be obtained prior to any commitments to other entities.

**3.1.2** These projects must have an intrinsic investment grade credit rating, and shall be presented to the Trustees to obtain approval before the financing transaction is undertaken by the auxiliary organization or other third party entity.

**3.1.3** If a project is approved by the Trustees, the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for and in the name and on behalf of the Trustees, to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, any and all documents and agreements with such insertions and changes therein as such Authorized Representatives of the Trustees, with the advice of the General Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, in order to assist with the planning, design, acquisition, construction, improvement, financing, and refinancing of the projects.

**3.2** The Chancellor may require campus presidents to establish campus procedures applicable to campus auxiliary organizations for the issuance of debt instruments to finance or to refinance personal property with lease purchase, line-of-credit, or other tax-exempt financing methods. The procedures issued by the

Chancellor need not contain a requirement for approval of the Trustees or the Chancellor but may include authority for campus presidents to take all actions to assist the auxiliary organization on behalf of the Trustees to complete and qualify such financing transactions as tax-exempt.

#### **Section 4. State Public Works Board Lease Revenue Financing Program**

**4.1** The authorizations set forth in this section shall be in full force and effect with respect to any State Public Works Board project which has been duly authorized by the legislature in a budget act or other legislation and duly signed by the Governor and which is then in full force and effect.

**4.2** The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and Assistant Vice Chancellor for Capital Planning, Design and Construction each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for and in the name and on behalf of the Trustees, to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, any and all construction agreements, equipment agreements, equipment leases, site leases, facility leases and other documents and agreements with such insertions and changes therein as such Authorized Representatives of the Trustees, with the advice of the General Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, in order to provide for the planning, design, acquisition, construction, improvement, financing, and refinancing of the projects.

#### **Section 5. Credit of the State of California**

**5.1** The delegations conferred by this resolution are limited and do not authorize the Chancellor or other Authorized Representatives of the Trustees to establish any indebtedness of the State of California, the Board of Trustees, any CSU campus, or any officers or employees of any of them. Lending, pledging or otherwise using the credit established by a stream of payments to be paid from funds appropriated from the State of California for the purpose of facilitating a financing transaction associated with a capital project is permitted only if specifically authorized by a bond act or otherwise authorized by the legislature.

## **Section 6. Tax Law Requirement for Reimbursement of Project Costs**

**6.1** For those projects which may be financed under the authority of the Trustees, the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized to make declarations on behalf of the Trustees solely for the purposes of establishing compliance with the requirements of Section 1.150-2 of the U.S. Treasury Regulations; provided, however that any such declaration:

**6.1.1** Will not bind the Trustees to make any expenditure, incur any indebtedness, or proceed with the project or financing; and

**6.1.2** Will establish the intent of the Trustees at the time of the declaration to use proceeds of future indebtedness, if subsequently authorized by the Trustees, to reimburse the Trustees for expenditures as permitted by the U.S. Treasury Regulations.

## **Section 7. Effective Date and Implementation**

**7.1** Within the scope of this financing policy, the Chancellor is authorized to further define, clarify and otherwise make and issue additional interpretations and directives as needed to implement the provisions of this policy.

**7.2** This resolution supersedes RFIN 03-02-02 and shall take effect immediately.

## **COMMITTEE ON FINANCE**

### **California State University Quarterly Investment Report**

#### **Presentation By**

Steve Relyea  
Executive Vice Chancellor and  
Chief Financial Officer

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

#### **Summary**

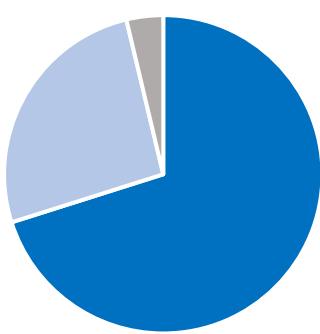
This item provides the quarterly investment report to the California State University Board of Trustees for the quarter ended December 31, 2020. The information in Attachment A provides the entire quarterly investment report regarding CSU investments as required by Education Code § 89726.

#### **Background**

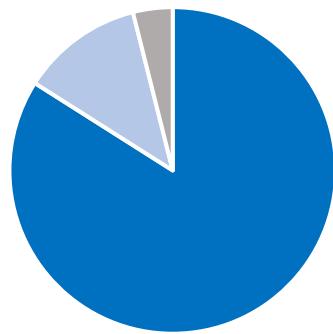
Pursuant to the CSU Master Investment Policy (included as Attachment B) CSU investments as of December 31, 2020 consisted of investments in the Liquidity Portfolio (Systemwide Investment Fund Trust, or SWIFT), the Total Return Portfolio (TRP), and the State of California Surplus Money Investment Fund (SMIF). Except for amounts held at the State in SMIF, all CSU investments are held by US Bank, the custodian bank for the CSU. Neither state general fund nor CSU auxiliary funds are included in CSU investments. In addition, this report does not include approximately \$1.6 billion in bond proceeds, which by state law are required to be held by the state and are invested in SMIF.

**CSU Investments – Balances, Allocations, and Returns**  
**December 31, 2020**

	<u>Balance</u>	<u>% of CSU Investments</u>	<u>Twelve Month Returns</u>
Liquidity Portfolio (SWIFT)	\$3.354 billion	70.1%	2.35%
Total Return Portfolio (TRP)	\$1.251 billion	26.2%	10.97%
Surplus Money Investment Fund (SMIF)	\$178.5 million	3.7%	1.02%
<b>CSU Investments</b>	<b>\$4.78 billion</b>	<b>100%</b>	



- Liquidity Portfolio (SWIFT) - 70.1%
- Total Return Portfolio (TRP) - 26.2%
- Surplus Money Investment Fund (SMIF) - 3.7%



- Fixed Income - 84.0%
- Equity - 12.1%
- Real Assets - 3.9%

### **CSU Investment Portfolios**

For detailed information on the investment performance and characteristics of the CSU investment portfolios please see Attachment A.

#### **CSU Liquidity Portfolio (Systemwide Investment Fund Trust, or SWIFT)**

The purpose of the Liquidity Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objective is safety of principal and liquidity.

The Liquidity Portfolio is managed through contracts with two investment management firms, US Bancorp Asset Management and Wells Capital Management, each of whom provides investment management services for the program. While the custodian, US Bank, holds the funds invested in the Liquidity Portfolio, for investment management purposes additions to the portfolio are split evenly between the investment managers and invested according to permitted investments outlined in the Government Code of the State and the Liquidity Portfolio investment policy. Consistent with state law, the Liquidity Portfolio is restricted to high quality, fixed income securities.

## **CSU Total Return Portfolio (TRP)**

Legislation effective January 1, 2017, expanded the CSU investment authority to allow investment in mutual funds (including equity mutual funds) and real estate investment trusts. The Total Return Portfolio was created to take advantage of the new investment authority.

The purpose of the TRP is to provide opportunity for additional risk adjusted returns on CSU funds over a full market cycle. The investment objective is to achieve a prudent return within a moderate risk level.

Under State law, investment of funds in the TRP is subject to the CSU meeting certain conditions regarding investment oversight, reporting, and use of earnings, and may not be more than thirty percent of eligible CSU investments. The CSU Investment Advisory Committee (IAC), established by the Board of Trustees in September 2017, oversees the TRP and focuses on key issues such as investment policy, asset allocation, investment manager oversight, and investment performance.

The TRP investment policy provides a framework for the investment of portfolio funds in the TRP and includes the following key elements as further described in the TRP Investment Policy:

Investment Objectives	Investment Manager Selection
Spending Policy	Roles & Responsibilities
Time and Investment Horizon	Environmental, Social and Governance
Risk Tolerance	Framework
Expected Return	Risk Management
Asset Allocation	Monitoring and Control Procedures
Benchmarks	

The IAC has adopted an investment schedule for the TRP that utilizes a dollar-cost averaging approach and provides regular monthly contributions to the TRP. An initial investment of \$33.5 million into the TRP was made on April 1, 2018, and additional investments allowed the TRP to reach the fiscal year 2018-2019 statutory limit of \$600 million in the first half of 2019. After June 30, 2019, a new investment schedule was adopted by the IAC and staff, with the goal of funding the TRP to as much as 30 percent of CSU investments by mid-2020. However, in April of 2020, the IAC approved a reduced investment schedule in the amount of \$20 million total between April and July of 2020, and in August of 2020, the IAC suspended further contributions to the TRP for the time being. Both of these actions were taken in order to preserve liquidity in the CSU Liquidity Portfolio in response to the COVID-19 pandemic. The investment schedule may also be adjusted by the IAC at any time depending on market conditions.

Since the TRP Inception date<sup>1</sup> through December 31, 2020, the TRP investment earnings were approximately \$215.9 million. During this period, the TRP total return exceeded the Liquidity Portfolio (SWIFT) total return by 7.39 percent annualized (net of fees) or a cumulative \$171.8 million.

In October 2020, the IAC approved the second annual TRP distribution to the system of approximately \$35 million, bringing total TRP distributions to the system since inception to \$57.4 million. TRP distributions are allocated to the campuses annually for capital outlay or maintenance. Consistent with state law, specifically Education Code § 89726, additional moneys earned through investments in the TRP shall be used only for capital outlay or maintenance, and shall not be used for ongoing operations.

### **Surplus Money Investment Fund (SMIF)**

The State Treasurer also provides investment vehicles that may be used for CSU funds. The Surplus Money Investment Fund (SMIF) is used by the State Treasurer to invest state funds, or funds held by the state on behalf of state agencies, in a short-term pool. In order to facilitate certain expenditures, the CSU maintains small amounts of funds with the State. The portfolio includes Certificates of Deposit, Treasuries, Commercial Paper, Corporate Bonds, and U.S. Government Agencies.

### **Reporting Requirements**

California Education Code § 89726 requires quarterly investment reports to the Board of Trustees and an annual report to the State Legislature and the Department of Finance.

### **Next Steps**

With oversight from the IAC, staff will continue monitoring market conditions to determine if any changes in the TRP investment schedule are warranted. Staff has also resumed development of the Intermediate Duration Portfolio, consistent with the CSU Master Investment Policy, following a delay in the implementation timeline due to developments related to COVID-19. The next investment report to the board is scheduled for the September 2021 meeting and will provide information on the CSU Quarterly Investment Report for the fiscal quarter ending March 31, 2021.

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<sup>1</sup> The TRP Inception Date was April 1, 2018.

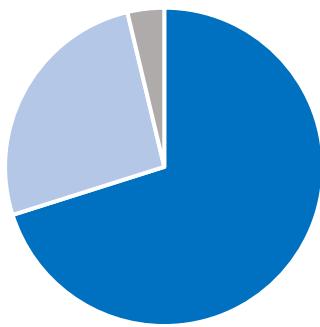
## **CSU Quarterly Investment Report**

### **For the Fiscal Quarter Ended December 31, 2020**

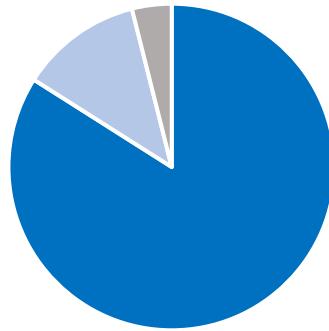
CSU investments as of December 31, 2020 consisted of investments in the CSU Liquidity Portfolio (Systemwide Investment Fund Trust or SWIFT), the Total Return Portfolio (TRP), and the State of California Surplus Money Investment Fund (SMIF). All CSU investments (except for funds invested in SMIF) are held by US Bank, the custodian bank for the CSU. Neither state general fund nor CSU auxiliary funds are included in CSU investments. In addition, this report does not include approximately \$1.6 billion in bond proceeds, which by state law are required to be held by the state and are invested in SMIF.

#### **Balances and Allocations as of December 31, 2020**

	<b>Balance</b>	<b>% of CSU Investments</b>
Liquidity Portfolio (SWIFT)	\$3.354 billion	70.1%
Total Return Portfolio (TRP)	\$1.251 billion	26.2%
Surplus Money Investment Fund (SMIF)	\$178.5 million	3.7%
<b>CSU Investments</b>	<b>\$4.78 billion</b>	<b>100%</b>



- Liquidity Portfolio (SWIFT) - 70.1%
- Total Return Portfolio (TRP) - 26.2%
- Surplus Money Investment Fund (SMIF) - 3.7%



- Fixed Income - 84.0%
- Equity - 12.1%
- Real Assets - 3.9%

For the six months ending December 31, 2020, direct investment management fees<sup>1</sup>, advisory, and custodial fees totaled just under \$1.1 million, or about 0.022 percent (2.2 basis points) on CSU investments average balance for the six months ending December 31, 2020.

<sup>1</sup> Direct investment management fees exclude TRP mutual fund investment management fees. TRP mutual fund investment management fees are included as mutual fund expenses and reported as a percent of total fund assets. See TRP Fund Expense Ratio (Fee) in the table on page 5.

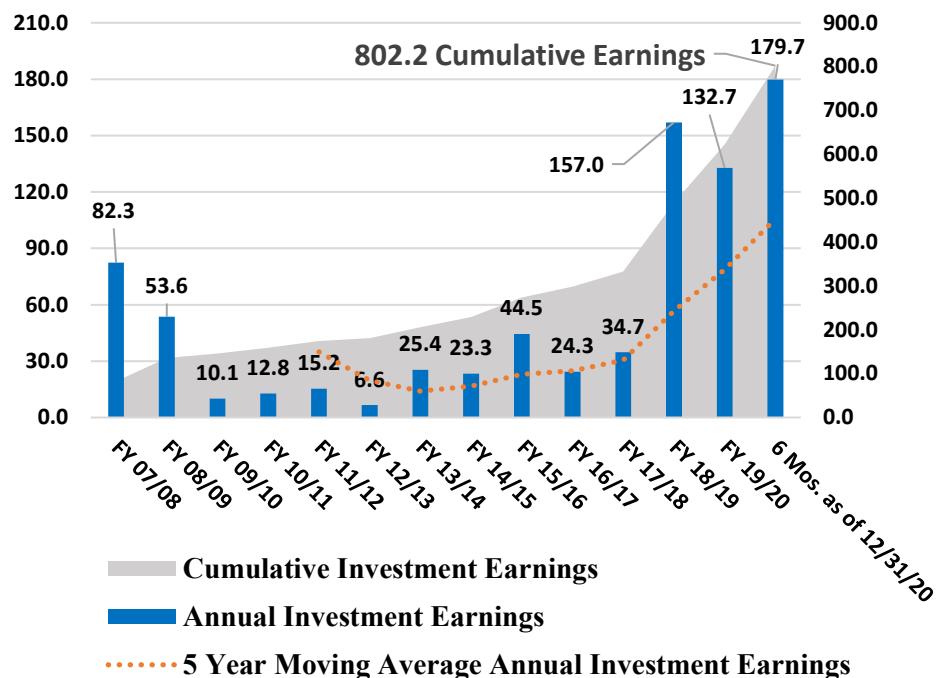
## CSU Consolidated Investment Portfolio

The performance returns below are for the CSU Consolidated Investment Portfolio which includes the Liquidity Portfolio (SWIFT) and the Total Return Portfolio (TRP).<sup>2</sup>

CSU Consolidated Investment Portfolio	
1 Year Annualized Return <sup>3</sup>	5.18%
3 Year Annualized Return	3.79%
5 Year Annualized Return	2.65%
10 Year Annualized Return	1.64%

### *Investment Earnings from CSU Investments Supports Campus Operations and Student Experience*

Earnings from CSU Investments (\$ in millions)  
Annual Investment Earnings (left scale)  
Cumulative Investment Earnings (right scale)



<sup>2</sup> CSU Consolidated Investment Portfolio returns will also include the Intermediate Duration Portfolio (IDP) once this portfolio is incepted. CSU Consolidated Investment Portfolio returns exclude SMIF.

<sup>3</sup> CSU Consolidated Investment Portfolio Returns reported gross of fees and as total return, including income and gains (realized and unrealized).

### **CSU Liquidity Portfolio (Systemwide Investment Fund Trust or SWIFT)**

The purpose of the Liquidity Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objective is safety of principal and liquidity. Consistent with state law, the portfolio is restricted to high quality, fixed income securities.

	<b>CSU Liquidity Portfolio</b>	<b>Benchmark<sup>4</sup></b>
1 Year Annualized Return <sup>5</sup>	2.35%	2.49%
3 Year Annualized Return	2.38%	2.48%
5 Year Annualized Return	1.82%	1.75%
10 Year Annualized Return	1.23%	1.14%
Annualized Since Inception Return <sup>6</sup>	1.50%	1.74%
Yield	0.24%	0.14%
Duration (Years)	1.33	1.46
Average Credit Rating	AA-	Aaa/AA+

#### **Holdings by Asset Type (% of CSU Liquidity Portfolio):**

Treasuries	38.33%	Certificates of Deposit	3.61%
U.S. Government Agencies	27.91%	Cash Equivalents	2.48%
U.S. Corporate Bonds	27.17%	Municipal Obligations	0.50%

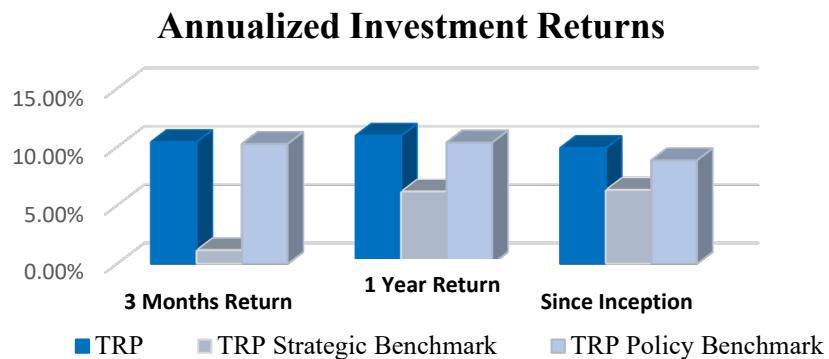
### **CSU Total Return Portfolio (TRP)**

The purpose of the Total Return Portfolio is to provide opportunity for additional risk adjusted returns on CSU funds over a full market cycle. The investment objective is to achieve a prudent return within a moderate risk level. Consistent with state law, the TRP is invested in mutual funds subject to registration by, and under the regulatory authority of, the United States Securities and Exchange Commission or in United States registered real estate investment trusts.

<sup>4</sup> Benchmark for the CSU Liquidity Portfolio (SWIFT) is the Bank of America Merrill Lynch 0-3 Year Treasury Index.

<sup>5</sup> CSU Liquidity Portfolio (SWIFT) Returns reported gross of fees and as total return, including income and gains (realized and unrealized).

<sup>6</sup> Inception Date for the CSU Liquidity Portfolio (SWIFT) was July 1, 2007.



	CSU Total Return Portfolio	Strategic Benchmark <sup>7</sup>	Policy Benchmark <sup>8</sup>
3 Months Return	10.43%	1.17%	10.26%
1 Year Return	10.97%	6.19%	10.37%
Annualized Since Inception Return <sup>9</sup>	9.92%	6.33%	8.85%

Since the TRP Inception date through December 31, 2020, the TRP investment earnings were approximately \$215.9 million. During this period, the TRP total return exceeded the Liquidity Portfolio (SWIFT) total return by 7.39 percent annualized (net of fees) or a cumulative \$171.8 million.

In October 2020, the CSU Investment Advisory Committee approved the second annual TRP distribution to the system of approximately \$35 million, bringing total TRP distributions to the system since inception to \$57.4 million. TRP distributions are allocated to the campuses annually for capital outlay or maintenance. Consistent with state law, specifically Education Code Section 89726, additional moneys earned through investments in the TRP shall be used only for capital outlay or maintenance, and shall not be used for ongoing operations.

<sup>7</sup> The TRP Strategic Benchmark is Inflation (Core Consumer Price Index) plus 4.5% per annum. The long-term rate of inflation is assumed at 2.5% per annum.

<sup>8</sup> The TRP Policy Benchmark is a blend of passive indices whose weights match the TRP target asset allocation.

<sup>9</sup> TRP Inception Date was April 1, 2018.

**Holdings by Asset Type (Percent of CSU Total Return Portfolio):**

Equity Mutual Funds	46.22%	Passive Index Mutual Funds	74%
Fixed Income Mutual Funds	38.76%	Actively Managed Mutual Funds	26% <sup>10</sup>
Real Asset Mutual Funds	15.02%		

**Values, Holdings & Fees (CSU Total Return Portfolio)**

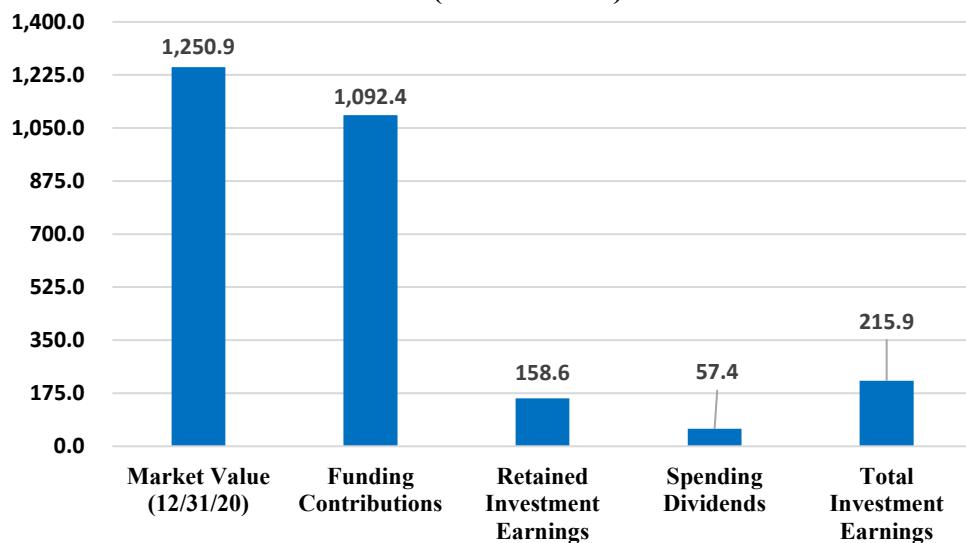
Asset Class	Strategy Name	Ticker	Value (millions)	% of Total Return Portfolio	TRP Fund Expense Ratio (Fee)	Universe Median Expense Ratio (Fee)
<b>Fixed Income</b>						
	Vanguard Total Bond Market Index Fund	VBMPX	273.3	21.85%	0.030%	0.440%
	Vanguard Inflation-Protected Securities Fund	VIPIX	62.1	4.97%	0.070%	0.390%
	Lord Abbett High Yield Fund	LHYOX	74.9	5.99%	0.620%	0.710%
	Pacific Funds Floating Rate Income Fund	PLFRX	37.4	2.99%	0.730%	0.770%
	Payden Emerging Markets Bond Fund	PYEIX	18.7	1.49%	0.690%	0.850%
	T. Rowe Emerging Markets Bond Fund	TREBX	18.5	1.48%	0.700%	0.850%
<b>Equity</b>						
	Vanguard Total Stock Market Index Fund	VSMPX	300.0	23.98%	0.020%	0.750%
	Vanguard Developed Markets Index Fund	VDIPX	150.9	12.06%	0.040%	0.890%
	Driehaus Emerging Markets Growth Fund	DIEMX	76.4	6.11%	1.220%	1.100%
	DFA Emerging Markets Value Fund	DFEVX	38.1	3.05%	0.510%	1.100%
	RWC Global Emerging Equity Fund	RWCEX	12.8	1.02%	1.250%	1.100%
<b>Real Assets</b>						
	Vanguard Real Estate Index Fund	VGSNX	87.8	7.02%	0.100%	0.890%
	Vanguard Energy Index Fund	VENAX	24.6	1.97%	0.100%	0.925%
	Vanguard Materials Index Fund	VMIAX	25.0	2.00%	0.100%	0.965%
	First State Global Listed Infrastructure Fund	FLIIX	50.4	4.03%	0.950%	0.990%
<b>Cash</b>			0.0	0.00%	NA	NA
<b>Total</b>			<b>1,250.9</b>	<b>100%</b>		

***TRP Annual Spending Dividends Assist Campuses to Meet Deferred Maintenance & Capital Outlay Needs***

<sup>10</sup> The percent of Actively Managed Mutual Funds is likely to increase in the future while the percent of Passive Index Mutual Funds would decrease consistent with the TRP implementation plan.

The following chart shows the TRP market value, total funded contributions, total retained investment earnings, total Spending Dividends, and total investment earnings since inception on December 31, 2020. Total TRP Investment Earnings equal total TRP Spending Dividends plus total TRP retained investment earnings.

**TRP Market Value, Funding Contributions, Retained Investment Earnings, and Spending Dividends Since Inception to December 31, 2020**  
(\$ in Millions)



### **Surplus Money Investment Fund (SMIF)**

The Surplus Money Investment Fund (SMIF) is managed by the State Treasurer to invest State funds, or funds held by the State on behalf of State agencies, in a short-term pool. The portfolio includes Certificates of Deposit, Treasuries, Commercial Paper, Corporate Bonds, and U.S. Government Agencies.

<u>Apportionment Annual Yield<sup>11</sup></u>	
Trailing 12 month as of 12/31/20	1.02%
Average (FYE 06/30/07 – FYE 12/31/20)	1.13%

<sup>11</sup> Annual Yield calculated by CSU Treasury Operations based on the quarterly apportionment yield rates published by the State Controller's Office.



**The California State University**  
OFFICE OF THE CHANCELLOR

## Master Investment Policy For The California State University

Approved on November 8, 2017  
By The Board of Trustees of The California State University

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## **I. Scope and Purpose**

This California State University Master Investment Policy (“MIP”) governs the investment of California State University (“CSU”) funds. CSU investments are centrally managed on behalf of the CSU System and its campuses.

The purpose of the MIP, together with investment policies that govern individual Portfolios (as defined in Section IV) and are created pursuant to delegated authority contained herein, is to provide a framework for the investment of CSU funds consistent with the goals of the CSU Board of Trustees (the “Board”) and the educational mission of the CSU.

The MIP sets forth objectives, guidelines, and responsibilities that the Board deems to be appropriate and prudent in consideration of the needs of, and the legal requirements applicable to, the CSU’s investment program. The MIP is also intended to ensure that the Board, and any parties to whom the Board delegates authority, are fulfilling their fiduciary responsibilities in the oversight of CSU investments.

The MIP is a dynamic document and will be reviewed from time to time. The MIP will be modified, if necessary, to reflect the changing nature of the CSU’s assets and investment program, organizational objectives, and economic conditions.

## **II. Compliance with Law and Adherence to Policy**

CSU investments are to be managed in full compliance with all applicable laws, rules, and regulations from various local, state, federal, and international political entities that may impact the CSU’s assets, including but not limited to the provisions of the California Education Code and California Government Code applicable to the investment of CSU funds, and in accordance with the policy objectives, guidelines, and responsibilities expressed herein.

## **III. Background and Investment Objectives**

The investment objectives for the investment of CSU funds have been established in conjunction with a comprehensive review of current and projected financial requirements. The Board desires to provide the Chancellor, the Chancellor’s Staff, and the IAC (as defined in Section V) with the greatest possible flexibility to maximize investment opportunities. However, as agents of the Board, the Chancellor, the Chancellor’s Staff, and the IAC must recognize the fiduciary responsibility of the Board to conserve and protect the assets of the CSU investment program, and, by prudent management, prevent exposure to undue and unnecessary risk.

The following objectives shall govern the investment of CSU funds:

1. Safeguard the principal.
2. Meet the liquidity needs of the CSU.
3. Obtain the best possible return commensurate with the degree of risk the CSU is willing to assume in obtaining such return.

The Board acknowledges that these objectives may be weighted or prioritized differently for individual Portfolios depending upon the purpose of the Portfolio.

#### **IV. Investment Portfolios**

Consistent with its investment objectives, the Board has determined that CSU funds may be invested in three investment portfolios (individually, a “Portfolio” and together, the “Portfolios”) created by the CSU, with oversight by the Chancellor, the Chancellor’s Staff, and the IAC, and each with its own investment policy.

The three Portfolios and general purpose of each Portfolio are as follows:

##### **Liquidity Portfolio (Systemwide Investment Fund—Trust or “SWIFT”)**

The purpose of this Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objectives for this Portfolio shall be safety of principal and liquidity. The existing CSU Systemwide Investment Fund—Trust (SWIFT) shall serve as the Liquidity Portfolio and shall be comprised of investments authorized pursuant to California Government Code Sections 16330 or 16430.

##### **Intermediate Duration Portfolio (IDP)**

The purpose of this Portfolio is to provide opportunity for modest, additional risk adjusted returns on CSU funds not needed for immediate liquidity. The investment objectives for this Portfolio shall be safety of principal, liquidity and return. The Intermediate Duration Portfolio shall be comprised of investments authorized pursuant to California Government Code Sections 16330 or 16430.

##### **Total Return Portfolio (TRP)**

The purpose of this Portfolio is to provide opportunity for additional risk adjusted returns on CSU funds over a full market cycle. The investment objectives for this

Portfolio shall be to achieve a prudent total return within a moderate risk level. The Total Return Portfolio shall be comprised of investments authorized pursuant to California Government Code Sections 16330, or 16430 or California Education Code Sections 89724 or 89725.

The acceptable allocations for the Portfolios are as follows:

<u>Portfolio</u>	<u>Min – Target – Max</u>
Liquidity – Systemwide Investment Fund Trust (“SWIFT”)	<b>5% - 20% - 100%</b>
Intermediate Duration Portfolio (“IDP”)	<b>0% - 52% - 95%</b>
Total Return Portfolio (“TRP”)	<b>0% - 28% - 30%<sup>1</sup></b>

In addition, the CSU may invest any amount (from 0% to 100%), in any California State Treasury investment option, available now, or in the future, that the IAC and the Staff deem prudent, including, but not limited to:

- Surplus Money Investment Fund (SMIF)
- Local Agency Investment Fund (LAIF)

## V. Roles and Responsibilities

### Board of Trustees

The Board assumes fiduciary responsibility to conserve and protect the investment assets of the CSU, and by prudent management, to prevent exposure to undue and unnecessary risk. However, the Board also acknowledges investments are inherently risky with risk of loss and, as such, are viewed with a long-term time horizon.

As a fiduciary, the primary responsibilities of the Board are to:

1. Maintain and approve the MIP.

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<sup>1</sup> Percentage allocations to the TRP are subject to annual phase-in restrictions through June 30, 2020 per state law.

2. Ensure that CSU investments are prudently diversified in order to obtain the best possible return commensurate with the degree of risk that the CSU is willing to assume.
3. Report annually to the California state legislature and the California Department of Finance regarding the investment of CSU funds.

The Board shall have oversight responsibility for investment of the assets and has delegated investment authority to the Chancellor, the Chancellor's Staff, and the IAC.

### **Chancellor and Chancellor's Staff**

As agents of the Board, the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor responsible for CSU investments, and their designees (the "Chancellor's Staff"), recognize the fiduciary responsibility of the Board to conserve and protect the investment assets of the CSU and, by prudent management, to prevent exposure to undue and unnecessary risk.

The Chancellor and the Chancellor's Staff are hereby authorized to establish policies and procedures to implement the provisions of this MIP, including, but not limited to, the following activities:

1. Overseeing and implementing general administrative and investment operations for the Portfolios.
2. Informing the IAC on the overall investments of the CSU and each of the Portfolios to assist the IAC in fulfilling its duties.
3. Developing and implementing policies that are suitable for achieving the strategic objectives for each Portfolio, including coordination with the IAC in developing and implementing policies for the TRP.
4. Selecting, contracting with, and monitoring third party service providers, including, but not limited to, investment advisors, investment managers, and custodians. For the TRP, such actions will be based on the recommendations of the IAC.
5. Directing the investment of funds, including the ordering of purchase and sale transactions to, from and between the Portfolios to meet investment objectives and strategic asset allocations.

6. Monitoring and reviewing the performance of the Portfolios to their stated objectives.
7. Reporting to the Board regarding the investment of CSU funds as requested, but no less than quarterly.
8. Controlling and accounting for all investment, record keeping, and administrative expenses associated with the Portfolios.
9. Identifying the need for updates, monitoring the Portfolios for legal and policy compliance, and acting on the recommendations of the IAC, as appropriate.
10. All other duties designated or delegated by the Board or the IAC.

### **Investment Advisory Committee**

As required by state law, the CSU has created an Investment Advisory Committee (the “IAC”), to provide investment advice and expertise to the Board, particularly with respect to the management of the TRP.

The IAC shall be an advisory body and shall make recommendations, as appropriate, to the Board for approval or to the Chancellor and the Chancellor’s Staff for implementation. The IAC shall be responsible for overseeing all aspects of the TRP and is hereby authorized to recommend policies and procedures for the creation and implementation of the TRP, including, but not limited to, the following activities:

1. Understanding the overall investments of the CSU and each of the Portfolios as informed by the Chancellor’s Staff, investment advisors and/or investment managers.
2. Developing and approving an IAC charter to establish guidelines for operations of the IAC.
3. Developing, approving, and overseeing the implementation of an investment policy statement for the TRP.
4. Reviewing and approving target asset allocations and ranges for the TRP.
5. Monitoring and reviewing the performance of the TRP to its stated objectives.
6. Prudently reviewing, selecting, monitoring, and replacing investment management firms engaged to manage the TRP’s assets.

7. Monitoring and supervising all service vendors and fees for the TRP.
8. Any other investment or administrative duties deemed necessary to prudently oversee the investment program for the TRP.

### **Prudence, Ethics and Conflict of Interest**

All participants in the investment process shall act responsibly. The standard of prudence applied by the Board, the Chancellor, the Chancellor's Staff, and the IAC, as well as any external service providers, shall be the "prudent investor" rule. The "prudent investor" rule in part, states, "A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution. A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the trust."

Furthermore, all participants in the investment process shall use the same care, skill, prudence, and due diligence under the circumstances then prevailing that a prudent person acting in a like capacity and fully familiar with such matters would use in the conduct of an enterprise of like activities for like portfolios with like aims and in accordance and compliance and all other applicable laws, rules and regulations.

All investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. All investment personnel shall disclose to the Chancellor's Staff or the IAC any material financial interests in financial institutions which conduct business within the jurisdiction and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the Portfolios. All investment personnel shall report any potential conflicts of interest consistent with Government Code Section 87200. Further, the Chancellor shall report to the Board in writing any issues that could reflect any conflict in the performance of the Portfolios.

### **Document Acceptance of the Investment Policy Statement**

The Chancellor's Staff shall provide a copy of this MIP, and the relevant Portfolio investment policy, to each firm retained to provide investment services to the CSU and each such firm shall acknowledge in writing receipt of the document and accept its content.

## **VI. Environmental, Social and Governance Framework**

The Board acknowledges the importance of understanding the potential risks and value that environmental, social, and governance (“ESG”) factors may have on CSU investments. Therefore, the Board expects that the consideration of ESG factors shall be integrated into the investment decision processes of the CSU.

Approved:

The California State University Board of Trustees  
November 8, 2017

## **COMMITTEE ON FINANCE**

### **2021-2022 Operating Budget Update**

#### **Presentation By**

Steve Relyea  
Executive Vice Chancellor and  
Chief Financial Officer

Ryan Storm  
Assistant Vice Chancellor  
Budget

#### **Summary**

The purpose for this item and subsequent presentation is to provide the California State University Board of Trustees with the latest developments on the CSU budget request for 2021-2022.

Informational budget hearings were held in Sacramento by the Senate and Assembly from early February through early March. The topics discussed were the operating budget request, Graduation Initiative 2025, student enrollment, transfer students, student supports and basic needs, financial aid, facilities and infrastructure, federal coronavirus assistance, and the Governor's January budget proposals.

In April, each house announced their fiscal policy priorities for 2021-2022 and beyond. The Senate Democrats' "Build Back Boldly" proposal would expand the Cal Grant and Middle Class Scholarship programs to lessen reliance on student loan debt. The plan also would expand the current state tax deduction on student loan payments, restore the 2020-2021 CSU budget cut, and include one-time funds for property acquisition and current facility needs to enable enrollment growth. The Assembly Democrats' "Assembly Budget Blueprint: A Budget of Opportunity" included goals to expand CSU enrollment capacity, support enrollment growth and increase the teacher pipeline. Also, the plan would support debt-free college and affordable student housing.

To date, no CSU-related action has been taken by either house. The Assembly and Senate typically take action on their budget plans in late May.

It is anticipated that the Governor will release the May Revision on May 14, several days after this item is posted. The May Revision reflects changes to the Governor's January proposed budget for 2021-2022 based upon the latest economic forecasts and, consequently, could include revisions to state budget expenditure priorities, including the CSU. Up to date information on the May Revision will be shared with the Board of Trustees at the May 2021 meeting.

Final state budget decisions by the Governor, Assembly, and Senate typically occur in the first two weeks of June of each year.

## **COMMITTEE ON FINANCE**

### **Auxiliary Organizations**

#### **Presentation By**

Steve Relyea  
Executive Vice Chancellor and  
Chief Financial Officer

Monica Kauppinen  
Director, Sponsored Programs Administration  
University Enterprises, Inc, California State University, Sacramento, and  
President, Auxiliary Organizations Association

Deborah Wallace  
Vice President, Administration and Finance and  
Chief Financial Officer  
California State University, Dominguez Hills

#### **Summary**

California State University (CSU) auxiliary organizations are separate legal entities created to support the educational mission of the university. Auxiliary organizations help ensure student success and the financial strength of the university by providing essential services and activities, increasing student engagement in high impact practices, managing risk and exposure, increasing investment opportunities, and facilitating real estate transactions. Auxiliary organizations include associated student organizations, student unions and recreation facilities, enterprise corporations that run bookstores and food services, and foundations that manage contracts and grants or gifts.

Auxiliaries are authorized under the provisions of the Education Code, Title 5 of the California Code of Regulations, the Internal Revenue Code, and the California Corporations Code as 501(c)(3) nonprofit organizations and 509(a)(3) supporting organizations, operating as “public charities” for tax exempt purposes. They are subject to CSU and campus policies with university leadership typically serving on the governing boards. By policy, campus auxiliary organization annual budgets are approved by the university president.

Approved activities of auxiliary organizations are contained within operating agreements with the CSU and are sometimes accompanied by leases when the auxiliary organization occupies state land or buildings. Auxiliary organizations are required to produce independently audited financial statements, file annual tax returns, and follow either Financial Accounting Standards Board or Government Accounting Standards Board guidelines.

### **List of Recognized Auxiliary Organizations**

Annually, the California State University audited financial statements includes a list of recognized auxiliary organizations, which are reported as component units of the overall California State University financial statements. Below is the current list of 87 recognized auxiliary organizations affiliated with the CSU.

#### Office of the Chancellor

California State University Institute  
California State University Foundation

#### California State University, Bakersfield

Associated Students, California State University, Bakersfield, Inc.  
California State University, Bakersfield, Foundation  
California State University, Bakersfield Student-centered Enterprises, Inc. (formerly  
California State University, Bakersfield Student Union)  
California State University, Bakersfield, Auxiliary for Sponsored Programs  
Administration

#### California State University, Channel Islands

Associated Students of California State University, Channel Islands, Inc.  
California State University, Channel Islands Foundation  
CI University Auxiliary Services, Inc.

#### California State University, Chico

Associated Students of California State University, Chico  
Chico State Enterprises (formerly The CSU, Chico Research Foundation)  
The University Foundation, California State University, Chico

#### California State University, Dominguez Hills

Associated Students, Inc., California State University, Dominguez Hills  
California State University Dominguez Hills Foundation  
California State University Dominguez Hills Philanthropic Foundation  
The Donald P. and Katherine B. Loker University Student Union, Inc.,  
California State University, Dominguez Hills

#### California State University, East Bay

Associated Students, Inc. of California State University, East Bay  
California State University, East Bay Foundation, Inc.  
Cal State East Bay Educational Foundation, Inc.

California State University, Fresno

Associated Students, Inc. of California State University, Fresno  
California State University, Fresno Association, Inc.  
California State University, Fresno Athletic Corporation  
California State University, Fresno Foundation  
Fresno State Programs for Children, Inc.  
The Agricultural Foundation of California State University, Fresno

California State University, Fullerton

Associated Students, California State University, Fullerton, Inc.  
Cal State Fullerton Philanthropic Foundation  
CSU Fullerton Auxiliary Services Corporation

Humboldt State University

Associated Students of Humboldt State University  
Humboldt State University Center Board of Directors  
Humboldt State University Sponsored Programs Foundation  
Humboldt State University Foundation

California State University, Long Beach

Associated Students, Inc., California State University, Long Beach  
California State University, Long Beach Research Foundation  
CSULB 49er Foundation  
Forty-Niner Shops, Inc.

California State University, Los Angeles

Associated Students of California State University, Los Angeles, Inc.  
Cal State L.A. University Auxiliary Services, Inc.  
California State University, Los Angeles Foundation  
University – Student Union at California State University, Los Angeles

California Maritime Academy

Associated Students of the California Maritime Academy  
California Maritime Academy Foundation, Inc.

California State University, Monterey Bay

Foundation of California State University, Monterey Bay  
Otter Student Union at CSU Monterey Bay  
University Corporation at Monterey Bay

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California State University, Northridge

Associated Students, Inc., California State University, Northridge  
California State University, Northridge Foundation  
North Campus – University Park Development Corporation  
The University Corporation  
University Student Union, California State University, Northridge

California State Polytechnic University, Pomona

Associated Students, Inc., California State Polytechnic University, Pomona  
Cal Poly Pomona Foundation, Inc.  
Cal Poly Pomona Philanthropic Foundation

California State University, Sacramento

Associated Students of California State University, Sacramento  
Capital Public Radio, Inc.  
The University Foundation at Sacramento State  
University Enterprises, Inc.  
University Union Operation of California State University, Sacramento

California State University, San Bernardino

Associated Students, Incorporated, California State University, San Bernardino  
CSUSB Philanthropic Foundation  
Santos Manuel Student Union of California State University, San Bernardino  
University Enterprises Corporation at CSUSB

San Diego State University

Associated Students of San Diego State University  
San Diego State University Research Foundation  
The Campanile Foundation  
Aztec Shops, Ltd.

San Francisco State University

Associated Students of San Francisco State University  
San Francisco State University Foundation  
The University Corporation, San Francisco State

San Jose State University

Associated Students of San Jose State University  
San Jose State University Research Foundation  
Spartan Shops, Inc.  
The Student Union of San Jose State University  
The Tower Foundation of San Jose State University

California Polytechnic State University, San Luis Obispo

Associated Students, Inc.  
Cal Poly Corporation  
California Polytechnic State University Foundation

California State University, San Marcos

Associated Students, Inc. of California State University, San Marcos  
California State University, San Marcos Corporation  
California State University San Marcos Foundation

Sonoma State University

Associated Students of Sonoma State University  
Sonoma State Enterprises, Inc.  
Sonoma State University Academic Foundation, Inc.

California State University, Stanislaus

Associated Students Incorporated of California State University, Stanislaus  
California State University, Stanislaus Auxiliary and Business Services  
California State University, Stanislaus Foundation  
University Student Center of California State University, Stanislaus (formerly University  
Student Union of California State University, Stanislaus)