

AGENDA

COMMITTEE ON FINANCE

Meeting: 11:15 a.m., Wednesday, May 21, 2025
Glenn S. Dumke Conference Center

Julia I. Lopez, Chair
Jonathan Molina Mancio, Vice Chair
Larry L. Adamson
Mark Ghilarducci
Leslie Gilbert-Lurie
Jack McGrory
Christopher Steinhauser
Darlene Yee-Melichar

- Consent**
1. Approval of Minutes, *Action*
 2. California State Polytechnic University, Pomona - Financing Approval for an Auxiliary Student Housing Acquisition, *Action*
 3. San José State University Spartan Village on the Paseo Acquisition Financing Approval, *Action*
 4. Multi-University Collaboration and Administrative Cost Reduction Initiatives: Implementing Systemness, *Information*
- Discussion**
5. 2025-2026 Lottery Budget and Report, *Action*
 6. 2025-2026 Operating Budget Update, *Information*
 7. Establishment of the San Francisco Bay Region Network, *Information*
 8. California State University Quarterly Investment Report, *Information*

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

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

March 26, 2025

Members Present

Julia Lopez, Chair
Jonathan Molina Mancio, Vice Chair
Larry L. Adamson
Douglas Faigin
Mark Ghilarducci
Leslie Gilbert-Lurie
Jack McGrory
Christopher Steinhauser
Darlene Yee-Melichar

Mildred García, Chancellor
Jack B. Clarke, Jr., Chair of the Board

Trustee Julia Lopez called the meeting to order.

Consent Agenda

The minutes of the January 29, 2024, meeting of the Committee on Finance were approved as submitted.

Item 2, 2025-2026 Lottery Budget and Report was postponed to the May 2025 Board of Trustees meeting.

Item 3, California State University Annual Debt Report and Item 4, California State University Quarterly Investment Report were information items on the consent agenda.

Trustee Lopez adjourned the meeting of the Committee on Finance.

COMMITTEE ON FINANCE

California State Polytechnic University, Pomona - Financing Approval for an Auxiliary Student Housing Acquisition

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Soraya M. Coley
President
California State Polytechnic University, Pomona

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury and Risk Management

Summary

This item requests that the California State University (CSU) Board of Trustees authorize the issuance of long-term Systemwide Revenue Bonds (SRB), and/or commercial paper notes, and/or related debt instruments, including shorter term and variable rate debt, and floating and fixed rate loans placed directly with banks, in an aggregate principal amount not-to-exceed \$128,600,000 to provide financing for an auxiliary capital project:

California State Polytechnic University, Pomona – Cal Poly Pomona Foundation, Inc. “The Current” Student Housing Acquisition

Background

The SRB program provides capital financing for projects of the CSU – student 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 for the projects and pay debt service on the 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 CP which 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 not previously covered by CP.

California State Polytechnic University, Pomona – Cal Poly Pomona Foundation, Inc. The Current Student Housing Acquisition

Cal Poly Pomona Foundation Inc. (the “Corporation”), doing business as Cal Poly Pomona Enterprises, Inc., a recognized auxiliary organization in good standing at California State Polytechnic University, Pomona, proposes to acquire a privately developed and newly constructed student housing complex, commonly known as The Current (the “Project”).

The Project is located approximately one mile north of the University’s main campus on 8.32-acres located in the city of Pomona. The property is a four-story building containing 178 suite-style apartment units, consisting of 636 beds, and an adjacent parking lot. The building reached completion in March 2024 and is 100% occupied. The housing project is geared towards second year, upper division, and graduate students and will be managed by the Corporation.

Project Funding and Financing

The acquisition price of \$126,000,000 is supported by a fair market value appraisal conducted in January 2025. On April 23, 2025, the Corporation’s Board adopted a resolution approving the financing of the Project through the CSU’s SRB program.

The not-to-exceed principal amount of the proposed bonds is \$128,600,000, based on a total acquisition cost of \$126,000,000 and an auxiliary reserve contribution of \$6,000,000. Additional net financing costs, such as capitalized interest and cost of issuance (estimated at \$8,600,000), are expected to be funded from bond proceeds. The escrow closing of the acquisition is expected to occur in late June 2025.

The following table summarizes key information about this financing transaction.

Not-to-exceed principal amount	\$128,600,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	\$8,712,601
Projected debt service coverage ¹ :	
Cal Poly Pomona Foundation, Inc.:	1.72
Campus aggregate:	1.37

¹Based on projected 2026-2027 operations of the project with expected full debt service.

The not-to-exceed principal amount for the project, the maximum annual debt service, and the financial ratios above are based on an estimated all-in true interest cost of 5.61%, 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 financial plan projects the Corporation's net revenue debt service coverage to be 1.72 in fiscal year 2026-2027, the first full year of debt service repayment for the Corporation, which is better than the CSU benchmark of 1.10 for an auxiliary debt program. Combining the 2026-2027 projections for the Corporation and 2026-2027 projections for all campus pledged revenue programs yields a campus net revenue debt service coverage for the first full year of operations of 1.37 which is better than the CSU campus benchmark of 1.35.

Recommended Action

The following resolution is recommended for approval:

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

In coordination with CSU's Office of General Counsel, Orrick, Herrington & Sutcliffe LLP, as bond counsel, has prepared resolutions distributed to the Board of Trustees prior to this meeting that authorize interim and permanent financing for the Project described in this agenda. The proposed resolutions will achieve the following:

1. Authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of commercial paper 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 principal amount not-to-exceed \$128,600,000 and certain actions relating thereto.
2. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Budget and Finance Administration; 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 commercial paper notes, the revenue bonds, and the related debt instruments.

COMMITTEE ON FINANCE

San José State University Spartan Village on the Paseo Acquisition Financing Approval

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Cynthia Teniente-Matson
President
San José State University

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury and Risk Management

Summary

This item requests that the California State University (CSU) Board of Trustees authorize the issuance of long-term Systemwide Revenue Bonds (SRB), and/or commercial paper notes, and/or related debt instruments, including shorter term and variable rate debt, and floating and fixed rate loans placed directly with banks, in an aggregate principal amount not-to-exceed \$71,890,000 to provide financing for a campus capital project:

San José State University Spartan Village on the Paseo Acquisition

Background

The SRB program provides capital financing for projects of the CSU – student 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 for the projects and pay debt service on the 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 CP which 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 not previously covered by CP.

San José State University Spartan Village on the Paseo Acquisition

San José State University Spartan Village on the Paseo Acquisition (the "Project"), currently a leased property, is proposed for acquisition by the university. Located at 184 South Market Street- in San José, California, the former hotel was transformed into affordable student housing, and opened in August 2024, offering 679 student beds (with a maximum design capacity of 811), dining facilities, and additional student life programming space. The lease agreement, signed in November 2023, includes a purchase option in 2025. This acquisition will be funded through the State's Higher Education Student Housing Grant Program (HESHGP), which will be replaced with CSU Systemwide Revenue Bonds supported by ongoing state appropriations and co-funded with CSU Systemwide Revenue Bonds for self-support programs. HESHGP allows affordable beds to be located across the university inventory of new beds and the existing student housing inventory.

Project Funding and Financing

This affordable student housing Project was approved for funding of \$89,100,000 in fiscal year 2023-2024 through HESHGP. The funding from the HESHGP was initially expected to be in the form of a one-time cash grant. However, the fiscal year 2023-2024 state budget for the CSU clawed back the cash grants for all previously awarded CSU projects in the HESHGP and replaced them with an increase in CSU's annual ongoing appropriation in an amount sufficient to support the issuance of CSU SRB debt that will generate proceeds to replace the cash grants. HESHGP-related SRB funding in the amount of \$89.1 million for the Project was approved by the Board of Trustees during its July 2023 meeting and will be repaid from the additional support appropriation from the state (rather than campus resources).

In addition to the HESHGP component of funding, the Project will also be funded with CSU SRB debt supported by ongoing university housing revenues, as well as housing program reserves. The financing action requested in this agenda item is for the SRB debt to be supported by ongoing university housing revenues.

The not-to-exceed principal amount of the proposed bonds is \$71,890,000, based on a total Project budget of \$168,099,000 with funding of \$89.1 million from the HESHGP authorization and \$10 million from housing program reserves. Additional net financing costs, such as capitalized interest and costs of issuance (estimated at \$2,891,000), are expected to be funded from bond proceeds. By the terms of the lease, the acquisition of the Project is expected to occur on or about December 1, 2025.

The following table summarizes key information about this financing transaction.

Not-to-exceed principal amount	\$71,890,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	\$4,885,805
Projected debt service coverage ratio including the Project:	
Net revenue – San José pledged programs: ¹	1.47
Net revenue – Projected campus housing program:	1.34

¹ Combines projected 2026-2027 information for all university pledged revenue programs and for the Project.

The not-to-exceed principal amount for the Project, the maximum annual debt service, and the financial ratios above are based on an estimated all-in true interest cost of 5.62%, 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 university’s financial plan projects a housing program net revenue debt service coverage ratio of 1.34 in fiscal year 2026-2027, the first full year of operations, which is better than the CSU benchmark of 1.10 for a program. When combining the Project with information for all university pledged revenue programs, the overall debt service coverage ratio for the first full year of operations is projected to be 1.47 which is better than the CSU benchmark of 1.35 for a university.

Recommended Action

The following resolution is recommended for approval:

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

In coordination with CSU’s Office of General Counsel, Orrick, Herrington & Sutcliffe LLP, as bond counsel, has prepared resolutions distributed to the Board of Trustees prior to this meeting that authorize interim and permanent financing for the San José State University Spartan Village at the Paseo Acquisition described in this agenda. The proposed resolutions will achieve the following:

1. Authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of commercial paper 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 principal amount not-to-exceed \$71,890,000 and certain actions relating thereto.

2. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Budget Administration and Finance; 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 commercial paper notes, the revenue bonds, and the related debt instruments.

COMMITTEE ON FINANCE

Multi-University Collaboration and Administrative Cost Reduction Initiatives: Implementing Systemness

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

David Beaver
Chief Procurement Officer
Contract Services & Procurement

Megan Cluver
Principal
Deloitte Consulting

Summary

The California State University (CSU) is facing significant financial challenges, due in part to a proposed state budget which threatens to cut the quality of education provided to its more than 460,000 students at its 23 universities, jeopardizing gains in enrollment, graduation rates, and delivery of basic services.

The governor's budget proposal calls for a \$375 million ongoing reduction to the CSU budget, which is equivalent to 36,000 students or 5% of its operating fund, and threatens the CSU's financial stability. Already, budget shortfalls total \$138 million in 2023-2024 and \$218 million in 2024-2025 across the system. The state forecasts state budget deficits in future years, heightening the risk that proposed future payments to the CSU will not occur.

The budget challenges require that, in addition to focusing on revenue and advocacy, the CSU system must look at its cost structure and find new ways to reduce costs without harming the academic experience for students. This item will cover administrative cost reduction strategies that the CSU system and its universities have put in place or plan to implement, as well as ways universities are collaborating to streamline activities and be even more effective in delivering on the mission to provide students with a quality education into the future.

The CSU strategically and routinely evaluates and improves university operations to support the academic mission and deliver quality education to students. The CSU's commitment to good stewardship requires the 23 universities and Chancellor's Office to continuously look for opportunities that optimize operations. Additionally, the CSU does not receive funding for inflationary cost increases, including the growing cost of compliance. Therefore, the 23 universities and Chancellor's Office must reduce costs to meet anticipated operating budget challenges in the current fiscal year and will also need to find ways to address anticipated budget gaps in future years.

Overview of Current Initiatives

The CSU is taking a focused approach to reduce costs and enhance quality. The overall strategy used includes efforts to improve processes, collaborate across the system and other higher educational segments, institute a procurement vision focused on reducing costs, and continuously aim to identify additional opportunities.

Multi-University Collaboration Initiative

The CSU established the Multi-University Collaboration Initiative (Multi-U) in 2023 to strategically address cost structures by optimizing resources while still meeting individual university needs. The initiative is intended to enable the CSU to save or avoid costs, streamline and simplify processes, enhance the quality and efficiency of customer service, and increase economies of scale. More information can be found at: [Multi-University Collaboration Initiative | CSU](#).

Key opportunities for increased functional collaboration were initially identified through focus groups, workshops and interviews with representatives across the system. Through continued analysis and discussion led by the initiative's steering committee, which is composed of presidents and leaders across functional areas and universities, the CSU selected three focus areas for the first wave of design and implementation: procurement, information security, and benefits administration.

Procurement: The goal of the procurement workstream is to optimize procurement operations and systemwide spending by accelerating Procure-to-Pay collaboration through CSUBUY, reviewing process and organization models, increasing strategic sourcing, and integrating artificial intelligence. The team has accelerated the CSUBUY project plan to onboard all remaining universities from the originally scheduled end of 2026 to the end of 2025. The procurement team continues to make progress in these areas and will form recommendations on the paths forward in the coming months. Once fully implemented, it is anticipated that this model will yield \$3 million to \$4 million in labor and workflow efficiencies and over \$20 million in additional savings from new strategic sourcing opportunities.

Information Security: The goal of the information security workstream is to establish a coordinated approach to information security, starting with the implementation of the Cyber Fusion Center (CFC). This transformational collaboration across the CSU will help strengthen the

system's overall security posture. Given the rising frequency of cyber incursions and increasing cyber insurance premiums, the CFC is an example of a cost avoidance strategy. It will establish a unified, standardized cybersecurity baseline across the CSU, including 24/7 cybersecurity monitoring, real-time threat intelligence sharing, and incident response and compliance support. A request for proposals (RFP) to select a vendor for the implementation of the CFC was released in March 2025, and it is anticipated that a vendor will be selected in the second quarter of 2025. Once a vendor is selected, the team will hire and onboard CFC staff and onboard universities onto the CFC through a phased approach. The goal is to fully launch the CFC by January 2026, after which the team will develop a continuous improvement plan focused on the expansion of services such as compliance management support and architecture resiliency and hardening support. Once fully implemented, it is estimated that this model will avoid at least \$4 million in annual costs for the system.

Benefits Administration: Lastly, within the benefits administration workstream, the CSU is developing a shared Benefits Administration Collaboration Team that will provide benefits administration services for all of the CSU's universities and the Chancellor's Office. The purpose of this Collaboration Team will be to increase accuracy and provide an improved and more consistent employee experience, while reducing administrative burdens. Streamlining benefits administration activities will also promote strong stewardship of the CSU's limited resources, as this collaborative model is projected to achieve meaningful cost efficiencies in benefits administration over the next several years. The team plans to implement the Collaboration Team in five phases, having begun initial preparation in the first quarter of 2025 with targeted completion in fiscal year 2029-2030. Universities will be brought into the Collaboration Team in the order of Common Human Resource System (CHRS) implementation. Over time, the Collaboration Team will scale in phases, increasing both the universities served and benefits administration services provided. The team also aims to leverage the experience of university staff currently performing benefits administration work. Once fully implemented, it is anticipated that this model will yield over \$3 million in savings for the system.

Project leadership plans to prioritize the next set of opportunities for implementation by June 2025. These opportunities may include consolidation of the system's data center needs and expenditures, centralization of resources to support our common ERP systems, collaboration around financial aid back-office processing, and collaboration around payroll processing.

Other Administrative Cost Reduction Initiatives

In addition to the Multi-U workstreams, system and university leadership continue to drive efficiencies and cost reduction through other collaborations, some examples are detailed below.

Procurement Strategies

In addition to the procurement work being performed by the Multi-U team, procurement leaders across the 23 universities and Chancellor's Office created a strategic vision, titled 23C, to focus

on forward-looking planning and collaboration. This effort has increased the focus on reducing costs across the system and leveraging the joint resources and bargaining power of the CSU.

The 23C initiative was created to better leverage the collective buying power and strength of the 23 procurement departments across the CSU.

- Our **vision** is to support the CSU's mission of educating tomorrow's leaders by becoming a strategic partner contributing to the financial health of the CSU, higher education and bolstering California's economy.
- Our **mission** is to be a trusted partner through collaboration to maximize value across the CSU by optimizing the procurement of goods and contracted services.
- Our commitment to customer service excellence is guided by our core **values** of integrity, transparency, inclusiveness, and professionalism.

In the past year, procurement teams across the 23 universities have recorded more than 500 savings projects and generated \$82 million in administrative savings across the CSU. Additional information may be found in the [23C Aggregated Annual Impact Report](#). These savings cross many different areas such as information technology hardware and software, furniture, banking, construction, facility operations and services, motor vehicles, food and beverage, travel, office supplies, and consulting services.

Energy Procurement: Direct Access Marketplace

The CSU purchases electricity for 13 universities and the Chancellor's Office on the wholesale energy market in a program called Direct Access. Universities that participate in Direct Access typically have lower rates than if they purchased through their local investor-owned utility. Additionally, universities that have invested in renewable energy projects such as solar and battery storage are seeing better than predicted savings as a result of pre-negotiated pricing models for the energy produced that are not impacted by rising energy costs. Their projects help universities mitigate against the unpredictability of the energy market. Savings from energy procurement for the last fiscal year totaled \$5.5 million.

Systemwide Law Enforcement Equipment Contract

In November 2024, the CSU implemented a systemwide contract for law enforcement cameras and equipment for all 23 universities. The initiative consolidated over 40 separate university contracts into one single agreement with Axon for standardized body and vehicle cameras, tasers, and related software and training that is mandatory for all CSU law enforcement agencies. The 23-university Council of Chiefs of Police developed the proposal for the Systemwide Law Enforcement Equipment Contract that supports key principles of the Multi-University Collaboration Initiative for the CSU to 1) save or avoid costs and increase economies of scale, 2) enhance the quality and efficiency of services, and 3) streamline and simplify processes.

Strategic Partnerships

As a refresher to a project initiated a few years ago, the CSU has been looking to develop new revenue streams through strategic partnerships that extend beyond a typical transactional relationship between the CSU and large suppliers and looks for ways to develop deeper relationships that could include sponsorships, scholarships, and financial incentives based on university media rights and access to students, faculty, and staff. The initial project resulted in the first-ever multi-university pouring rights agreement, which is the exclusive rights of a beverage maker to have its products sold at a particular venue or institution. The first systemwide Dining Partnership was finalized, resulting in significant value to those universities electing to participate. To date, 12 universities have joined the Dining Partnership, generating millions of dollars back to the CSU.

Risk Management

At the CSU, insurance coverages and risk mitigation programs are centrally managed through the California State University Risk Management Authority (CSURMA), a joint powers authority created by the CSU to provide such services for the system. Through CSURMA, the CSU can leverage its size to self-insure or procure coverage in the insurance markets at considerably reduced costs. Furthermore, by providing funding for and serving as a communication clearinghouse for strong risk mitigation practices across the system, CSURMA can lower the frequency and size of insurance claims, thus helping to preserve CSU resources for other priorities.

Financing and Treasury Collaboration

At the Chancellor's Office, the Financing and Treasury department has handled all of the CSU's debt issuance, investments, and cash management for many years. Rather than duplicate financing and treasury teams at each campus, the CSU has been able to leverage its size and opportunities for efficiencies to generate tremendous cost savings in the amount of interest paid on Systemwide Revenue Bond debt, by lowering fees on our investment portfolios, by saving on personnel expenses, and through lower banking fees.

Construction Delivery

In 2023-2024, Capital Planning, Design & Construction (CPDC) administered and issued 79 Job Order Contracting (JOC) agreements, resulting in the completion of more than \$86 million in construction projects. The average budget per JOC project was approximately \$89,138, accounting for a total of 701 individual projects. Had each university procured these projects through traditional competitive bidding processes, the estimated administrative cost would have exceeded \$2.8 million. By utilizing the JOC umbrella contracts, the CSU system effectively streamlined procurement and achieved an estimated cost savings of almost \$2.5 million. CPDC is currently developing a legislative proposal to increase the maximum contract value from

\$3 million to \$10 million. The proposal would include provisions for contract extensions to support the evolving needs of the system's capital and facilities projects.

Owner Controlled Insurance Program

The Owner Controlled Insurance Program (OCIP) is a tool the CSU employs on all Public Works Construction projects over \$10 million to purchase general liability and workers' compensation insurance. In place since 2013, it is advantageous for the CSU to purchase this insurance coverage. The large buying power of the CSU and a strong track record of low incidents and claims allow the CSU to purchase insurance at rates lower than most contractors can obtain. Savings for OCIP for the last fiscal year totaled \$16 million.

Instructional and Student Services Initiative

The CSU's instructional and student service initiatives, designed to help students achieve their educational goals, have saved millions through coordinated purchases of electronic library resources, academic software, and accessibility solutions.

One notable example is Canvas, a Learning Management System implemented systemwide to provide a secure online teaching and learning environment. By leveraging the CSU's combined buying power, the system procured library resources at discounts exceeding 70% below list price, resulting in millions of dollars in annual savings for the universities.

Common Network Initiative

For over 20 years, the CSU has provided students, faculty, and staff with reliable, robust, secure, and modern networks, enabling equitable access to online resources for everyone across the CSU system. The Chancellor's Office has been leading a network infrastructure upgrade program known as the Common Network Initiative (CNI) to support all 23 universities, official campus off-site centers, and the Chancellor's Office. The program provides a standardized network technology infrastructure and includes a systemwide Standard Operating Environment (SOE) for network switching, routing, wireless, firewall security, maintenance and support, and training for all CSUs.

In 2020, the CSU selected Deloitte as the new system integrator and value-added reseller for CNI to engage with the Chancellor's Office and each university in continuing the standardization and collaboration of the network infrastructure, and the enhancement of the systemwide experience for students, faculty, and staff.

Through the CNI, the Chancellor's Office and the 23 universities have effectively collaborated to keep the CSU's standardized network technology infrastructure current with central funding. This collaborative effort over the last 20 years has led to:

- Enhanced Network Connectivity: Improved overall network connectivity for CSU students, faculty and staff, fostering a better educational and working environment.

- **Increased Standardization:** Greater network standardization across all campuses, enhancing collaboration, and improving efficiency across the system for network management, maintenance and troubleshooting.
- **Cost Efficiency:** Significantly reduced costs for procuring hardware, software, and maintenance from economies of scale, along with improved and more efficient procurement and customer service processes.
- **Streamlined Operation:** Greatly reduced duplication and redundancy due to more efficient procurement, order tracking, customer service, and project management processes, along with increased transparency by leveraging automation for better management and accountability.

Information Systems (PeopleSoft) Technical Support

The Managed Services Partnership between CSU East Bay and the Chancellor's Office Information Systems began during a period of significant IT staff changes at East Bay. With many key IT staff announcing their retirements amid preparations for major IT projects, the Chancellor's Office stepped in to support East Bay's PeopleSoft technology needs. This collaboration started with a pilot phase involving extensive leadership engagement and stakeholder discussions, allowing East Bay to streamline IT operations and achieve substantial cost savings and operational efficiencies.

What started as a campus-centered initiative evolved into a model of operational efficiency, standardization, and resource optimization, effectively distributing workload and addressing the challenges of filling demanding positions in competitive markets like the Bay Area. The program has been recognized for achievements in efficiency and collaboration, receiving two awards: the 2019 Cal State Tech Conference Gold Award for Organizational Growth, Change and Leadership and the 2023 California Higher Education Conference Efficiency Award for Enhancing Efficiency and Collaboration.

Since beginning in 2019 and with a continued focus on cost savings and standardization, the Managed Services program has expanded to include Maritime Academy, CSU Monterey Bay, CSU San Bernardino, and CSU San Marcos.

Common Human Resources System (CHRS)

CHRS is a new human resource system that aims to standardize data and business processes across the CSU system. The multi-year initiative will enable collaboration opportunities and consolidated data entry to reduce training and labor costs. All 23 universities are now live using the Employee Onboarding system, and 7 universities are now live on the larger Human Resources shared system. Additionally, all 23 universities are currently live on the employee recruitment and onboarding system, and a pilot to improve the number of qualified and interested applicants for the recruitment of Sworn Officers as a single system has shown positive results.

COMMITTEE ON FINANCE

2025-2026 Lottery Budget and Report

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget Planning & Advocacy

Summary

This item presents the 2023-2024 lottery fund expenditure report and requests California State University (CSU) Board of Trustees approval for the 2025-2026 lottery budget of \$70 million. Key highlights include a \$3.3 million (53%) increase for Systemwide Library Digital Collections and a multi-year strategic plan for the utilization of one-time funds. Lottery funds represent 0.86% of CSU's operating budget but provide critical supplemental resources exclusively for the education of students. This item contains the following:

1. Report on actual lottery fund revenues and expenditures from 2023-2024.
2. Request for approval of the 2025-2026 lottery budget of \$70 million.
3. Multi-year strategic plan for lottery fund carryover.

Lottery Guidelines

The Lottery Act allows for the expenditure of lottery revenue for public education purposes. CSU's guidelines ensure that lottery funds are used only to supplement state-funded educational programs and shall not be used to pay faculty salaries for classroom instruction.

The Lottery Act provides additional specificity and explicitly prohibits using these funds for:

- Acquisition of real property
- Construction of facilities
- Financing of research

Each year, the Board of Trustees adopts a systemwide lottery budget that adheres to both CSU guidelines and Lottery Act provisions. Through the Standing Orders of the Board of Trustees of the CSU, the chancellor is delegated oversight of the lottery budget, including deposit, control, investment, and expenditure of lottery funds.

Lottery Programs

Systemwide Programs

Program	Description
Chancellor’s Doctoral Incentive Program	Supports doctoral students who aspire to teach in the CSU system
California Pre-Doctoral Program	Supports CSU students from disadvantaged backgrounds who seek to earn doctoral degrees
CSU Summer Arts Program	Offers various art courses for academic credit (concludes 6/30/2025)
DREAM Loan Program	Provides loans to students who satisfy specified academic, enrollment, and high school graduation requirements
Year of Engagement: Reimagining Student Success	Student success initiatives identified through the year of engagement efforts
System Partnerships & Memberships	Supports CSU’s participation in organizations promoting research and public policy
Systemwide Technology Program	Supports the Common Network Initiative (CNI) hardware, software, and communications infrastructure across all universities
Systemwide Library Digital Collections	Provides students and faculty with access to quality academic sources and electronic publications
Administration of Lottery Fund	Supports program administration and reporting functions

Campus-based Programs

Funding allocated directly to universities for campus-based programs allows presidents flexibility to meet unique campus needs. These funds are traditionally used for:

- Library materials and collections
- Instructional equipment
- Curriculum development
- Financial aid
- Other programs that supplement educational programs for students

Financial Aid Programs

Funding provided for need-based financial support to ensure that financial hardship is not a barrier to enrollment. One of the financial aid programs, Supportive Pathways, offers academic and social support aligned with each incoming student’s needs, with a focus on helping

first-time students complete the General Education (GE) written communication (A2) and math/quantitative reasoning (B4) requirements within their first year.

References

[Education Code Sections 89721 – 89725.1](#)

[Government Code Section 8880 – 8880.14](#)

[CSU Systemwide Lottery Policy, Procedures, and Guidance](#)

[Standing Orders of the Board of Trustees of the California State University](#)

Report on 2023-2024 Lottery Fund Revenues and Expenditures

In keeping with CSU's commitment to financial transparency and following CSU lottery guidelines, this report presents the 2023-2024 lottery revenues and expenses.

Key Highlights

- Lottery revenue was \$13.6 million more than budgeted
- Doctoral Incentive Program is a revolving educational loan program and existing loan repayments supported the issuance of most new participant loans.
- Carryover funds from the \$114 million beginning balance were strategically allocated to augment the base budget in support of emerging priorities and unexpected needs. These allocations were made through the chancellor's delegated authority to oversee the budget and expend funds. Notable allocations include:
 - One-time allocations for campus financial aid, including summer financial aid grants, scholarships for teacher credential students, and new student scholarships.
 - Systemwide Technology Program to support the system's CNI for all universities by funding the refresh and update of hardware, software, and communications infrastructure.
- The ending balance of \$112 million will carryforward for one-time use in future years.

The following table details how lottery revenues and carryover balances were spent:

2023-2024 Lottery Funds			
	Budget	Actuals	% Total
Beginning Balance		\$113,774,141	
Sources of Funds			
Revenue	\$67,000,000	\$80,567,576	99%
Investment Earnings	-0-	938,896	1%
Less Systemwide Contingency	(5,000,000)	-0-	0%
Total Available for Allocation	\$62,000,000	\$81,506,472	100%
Uses of Funds			
Doctoral Incentive Program	\$1,000,000	\$58,000	0.1%
California Pre-Doctoral Program	1,038,000	1,238,657	2.0%
CSU Summer Arts Program	1,500,000	1,696,339	2.7%
DREAM Loan Program	2,000,000	649,000	1.0%
System Partnerships & Memberships	1,000,000	700,425	1.1%
Systemwide Library Digital Collections	6,000,000	6,238,964	9.9%
Campus Programs	43,691,000	44,683,444	71.0%
Campus Financial Aid	5,000,000	6,939,715	11.0%
Lottery Fund & System Programs Admin.	771,000	771,000	1.2%
Total	\$62,000,000	\$62,975,544	100%
Strategic Use of One-time Funds			
Systemwide Technology Program	-0-	20,475,863	
Ending Balance		\$111,829,206	
		31,341,322	Universities
		80,487,884	System

Proposed 2025-2026 Lottery Budget

Key Highlights

- Total projected lottery revenue is \$70 million.
- Eliminated contingency reserve because revenue is a conservative estimate and because of the current system fund balance.
- Strategically increased \$3.3 million (53%) for Systemwide Library Digital Collections to expand access to collections and take advantage of systemwide economies of scale.
- Redirected \$1.5 million to support student success initiatives identified through the Year of Engagement effort. In March, the Chancellor's Office announced the conclusion of the system's Summer Arts Program. Campuses have done well enhancing their student opportunities in the arts, which has resulted in declining interest in the system program.
- Established a baseline budget of \$3 million for the Systemwide Technology Program to maintain the five-year refresh cycle for the Common Network Initiative across all universities.
- Reallocated \$1.4 million from the Support Pathways Program (a Campus Financial Aid line-item) and DREAM Loan to other priority initiatives. Expenditures for both programs are consistently less than predicted. If there is more funding needed than budgeted in these areas during 2025-2026, the programs could be augmented with one-time carryover funds.
- Maintained administration costs at 1.3% of the proposed budget.

Comparison of 2024-2025 and 2025-2026 Lottery Budgets

	2024-2025 Adopted Budget	2025-2026 Proposed Budget
Sources of Funds		
Revenue	\$70,000,000	\$70,000,000
Less Systemwide Contingency	(5,000,000)	-0-
Total Available for Allocation	\$65,000,000	\$70,000,000
Uses of Funds		
<i>System Programs</i>		
Chancellor's Doctoral Incentive Program	\$1,000,000	\$1,000,000
California Pre-Doctoral Program	1,038,000	1,038,000
CSU Summer Arts Program	1,500,000	-0-
DREAM Loan	2,000,000	1,635,000
Year of Engagement: Reimagining Student Success	-0-	1,500,000
System Partnerships & Memberships	1,000,000	1,000,000
Systemwide Technology Program: CNI	-0-	3,000,000
Systemwide Library Digital Collections	6,250,000	9,575,000
	<u>\$12,788,000</u>	<u>\$18,748,000</u>
<i>Campus-Based Programs</i>		
Campus Programs	\$46,407,000	\$46,407,000
Campus Financial Aid	5,000,000	4,000,000
	<u>\$51,407,000</u>	<u>\$50,407,000</u>
<i>Lottery Fund & System Administration</i>	<u>\$805,000</u>	<u>\$845,000</u>
Total Uses of Funds	\$65,000,000	\$70,000,000

Multi-Year Strategic Plan for Lottery Fund Carryover

The CSU has accumulated approximately \$112 million in lottery carryover as of June 30, 2024. The following table reflects details of the carryover funds and their designations:

Category	Universities	System	Total
Encumbrances	\$3,066,961	\$9,525,155	\$12,592,116
Equipment Acquisition	4,549,529	-	4,549,529
Financial Aid	1,223,145	7,568,479	8,791,624
Outstanding Commitments	10,865,144	54,975,605	65,840,749
Program Development	8,590,216	-	8,590,216
Subtotal: Designated Balances	\$28,294,995	\$72,069,239	\$100,364,234
Reserves	3,046,328	8,418,645	11,464,973
Total	\$31,341,323	\$80,487,884	\$111,829,207

The table above identifies \$55 million of the system’s outstanding commitments. The next section outlines an approach to utilizing those one-time funds over the next five years.

The multi-year plan focuses on three primary areas aligned with an instructional purpose for the education of students. These areas are prioritized because there has been and likely will continue to be a need to invest more in these areas:

1. Technology Infrastructure Enhancement (60%): Modernizing digital capabilities across the system to enhance educational delivery and efficiency.
 - o Common Network Initiative
 - o Artificial Intelligence investments
 - o Instructional technology modernization across universities
 - o Digital learning platforms and resources
 - o Student success systems and data management
2. Innovation for Educational Programs (25%): Developing cutting-edge academic initiatives that expand learning opportunities.
 - o Cross-campus collaborative teaching initiatives
 - o Student success initiatives
 - o Student internship opportunities
 - o Post-graduate opportunities
 - o Resources for specialized academic fields
3. Student completion and affordability (15%): Removing financial barriers and accelerating degree completion.
 - o Summer financial aid
 - o Time-to-degree acceleration programs
 - o Other emerging student needs

Five-Year Utilization Plan

Fiscal Year	Planned Allocation
2025-2026	\$15 million
2026-2027	\$10 million
2027-2028	\$10 million
2028-2029	\$10 million
2029-2030	\$10 million

Fiscal Sustainability

This strategic plan maintains approximately \$8.5 million in system reserves (3 months of operations), ensuring fiscal sustainability while optimizing the future use of these accumulated funds. The Chancellor's Office will provide annual updates on the uses of carryover funds to the Board of Trustees.

Recommended Action

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that the 2025-2026 lottery budget totaling \$70 million is approved for implementation by the chancellor, with the authorization to make transfers between components of the lottery budget and to adjust expenditures in accordance with receipt of lottery funds; and be it further

RESOLVED, that the chancellor is hereby granted authority to adjust the 2025-2026 lottery budget approved by the Board of Trustees to the extent that revenue are greater or less than budgeted revenue to respond to opportunities or exigencies; and be it further

RESOLVED, that a report of the 2025-2026 lottery budget revenue and expenditures be made to the Board of Trustees.

COMMITTEE ON FINANCE

2025-2026 Operating Budget Update

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget Planning and Advocacy

Summary

The California State University Board of Trustees will receive an update on the state budget at the May 19-21, 2025, meeting. This will include information on the governor's 2025-2026 May Revision, which has an anticipated release date of May 14, 2025, after the posting date of this agenda item.

In response to the 2025-2026 Governor's Budget (proposed in January 2025), the CSU developed and communicated the following budget advocacy message for the 2025-2026 budget cycle.

Stop CSU Budget Cut of \$375 Million

Request

The CSU is advocating for measures to avoid the \$375 million ongoing reduction and preserve the full funding of the CSU in 2025-2026. The CSU also disagrees with the proposed deferral of compact into the future.

Background

The CSU is facing significant financial challenges, due in part to a proposed state budget cut threatening the quality of education provided to its more than 460,000 students at its 23 campuses, jeopardizing gains in enrollment, graduation rates and delivery of basic services.

The governor's budget proposal poses serious challenges for the CSU. A \$375 million ongoing reduction threatens CSU's financial stability that is equivalent to 36,000 students or 5% of its operating fund. To put the cut in perspective, the \$375 million cut is akin to the operating budget of Fresno State, a university serving 24,000 students. Further, a planned 5% base funding increase in 2025-2026 was deferred to 2027-2028 with a promise of one-time back payments.

Already, budget shortfalls total \$138 million in 2023-2024 and \$218 million in 2024-2025 across the system. The state forecasts state budget deficits in future years, heightening the risk that proposed future payments to the CSU will not occur. The proposed cut would force further reductions in academic programs and student services undermining equity initiatives, graduation rates, and CSU's critical role in California's workforce and economy.

CSU Has Already Made Significant Cuts

Despite receiving three consecutive years of state compact funding, CSU's costs associated with rising health care benefits, workforce compensation, and a variety of inflationary expenses have resulted in costs consistently exceeding revenue, exacerbating financial challenges. Below are examples of key actions already taken by the CSU and its universities during 2023-2024 and 2024-2025.

- Course Sections: 1,430 sections were eliminated by 7 universities, representing a 7% course reduction and 35,000 student seats at those universities.
- Job Reductions: 1,208 positions were cut across 17 universities.
- Student Support Employees: 13 universities reduced their financial aid, mental health, and academic counseling employees by 7.3%.
- Degree Programs: Due to low enrollment, 73 programs were suspended, and 63 were discontinued by the Board of Trustees in 2024.
- Management Personnel: 98 employees in good standing were not retained due to fiscal constraints.

Impacts of Cuts and Deferral

The proposed budget cut, compounded by a deferral, would have profound impacts on the CSU system. Larger class sizes would result from reduced funding, diminishing individual attention and student engagement. Course offerings would be significantly limited, creating barriers for students attempting to complete their degrees on time. Critical support services, essential to student well-being and academic success, would face cuts, leaving many without necessary resources. Additionally, layoffs, non-retention, and hiring freezes, already underway, would escalate, jeopardizing the quality of education and the stability of campus operations.

COMMITTEE ON FINANCE

Establishment of the San Francisco Bay Region Network

Presentation By

Steve Relyea
Executive Vice Chancellor
and Chief Financial Officer

Emily F. Cutrer
Interim President
Sonoma State University

Lynn Mahoney
President
San Francisco State University

Cathy A. Sandeen
President
California State University, East Bay

Background

Responding to the imperative to sustain and advance the mission of the California State University system and to address the longstanding enrollment decline and economic challenges of the San Francisco Bay Region, Sonoma State University President Emily Cutrer, San Francisco State University President Lynn Mahoney, and Cal State East Bay President Cathy Sandeen communicated a commitment in March 2025 to Chancellor Mildred García for the creation of the San Francisco Bay Region Network (Network), an innovative structure to integrate and enhance administrative services into a single core, supporting the three campus's missions in the above-referenced highly challenging context. The goal of establishing the Network is to create a single administrative and financial core while ensuring that these separately accredited universities maintain their distinct characteristics and strengths, accreditation standards, and service to their surrounding community, while providing an innovative and necessary response to urgent budget conditions and persistent demographic declines negatively impacting enrollment across the three campuses.

Following the March 2025 commitment letter, the three presidents began working immediately and collaboratively to develop a more detailed description of the Network and now present it as an information item to the Board of Trustees. Embracing the recommendations of the 2023 CSU Sustainable Funding Model Workgroup Report, the goal of the Network is to strengthen the

financial sustainability of each university by focusing on unifying inter-campus functionality so that one hub will serve the needs of the three. Such a structure would build and leverage economies of scale by reducing duplication, enhancing efficiency of service delivery, and optimizing resource allocation to ensure that the region's needs continue to be met and, ultimately, are even better served. In creating a fiscally responsive administrative core, the Network goes beyond mere shared services to stand as a true innovation in how the CSU and its universities can achieve their mission in a uniquely challenging 21st-century higher education landscape.

The Rationale

The presidents and the CSU system are firmly committed to the individual viability of the three universities to continue to serve students in a shared geographic region by providing access to quality higher education, meeting local and regional workforce preparation needs, and driving upward mobility for generations of students and their extended communities. Despite these commitments, significant and currently insurmountable budget challenges require that we innovate beyond the status quo and long held traditions that stand as impediments to change.

First, a significant demographic shift has already affected and will continue to affect California as a whole and the San Francisco Bay Region especially, with declining birth rates and reduced numbers of high school graduates projected to negatively impact the pool of college-going students through 2040 and beyond. The latest available data from the Western Interstate Commission for Higher Education, for example, estimates that decline to be more than 141,000 students from 2023-2041. These demographic trends are not anticipated to change and will increasingly diminish the impact of any improvements in marketing, recruitment, admissions and outreach to new segments of the population. Further, these demographic changes have had a differential impact on CSU campuses throughout the state. For example, in contrast to the San Francisco Bay Region, student demand currently remains elevated in other regions like Los Angeles County. However, the enrollment declines in the Bay Region presage shifts for other CSUs in the coming decades and have created urgent budgetary challenges for Cal State East Bay, San Francisco State and Sonoma State, which are the first CSU campuses to be significantly affected.

Additionally, all CSU campuses have been subject to increased costs over the past five years, including necessary-but-unfunded negotiated wage increases for employees, large inflationary pressures on mandatory costs including utilities and health benefits, and the need to provide additional services to students. The impact of these cost pressures was confirmed by the 2023 CSU Sustainable Funding Model Workgroup Report, which identified the CSU as having a \$1.5 billion gap between the costs associated with operating our universities and the revenue available to them.

Exacerbating the above fiscal challenges, the governor's current budget proposal for 2025-26 not only defers the 5% funding commitment under the Compact for Higher Education, it also proposes a \$375 million budget reduction to the CSU. Given these fiscal circumstances, it is simply infeasible for the CSU to attempt to "bail out" all of its universities experiencing enrollment

declines and financial challenges with system dollars. Such an approach represents a “temporary fix” that does not provide long-term stability.

The San Francisco Bay Region campuses – and other universities throughout the system – have undertaken substantial and often painful budget alignment efforts. Each of these universities has taken extensive steps to align their expenditures with their revenues, including various approaches to reduce costs (the vast majority of which on a university campus are tied to labor). Reduction strategies have included imposing hiring chills or freezes, eliminating unfilled positions, reduction of management positions, offering early retirement incentives or voluntary separation programs, and aligning faculty reassigned time with contract and teaching requirements. Campuses have also examined opportunities for minimizing the cost of instruction by engaging academic program review to decrease the complexity of majors, closely aligning course offerings with student demand and, in some cases, eliminating low-enrolled programs. Some have also looked at a variety of other nuanced approaches including terminating outside leases, decommissioning buildings, reducing or eliminating athletic programs, and using one-time funds to close deficits.

Each of these budget strategies can and will continue to be utilized, but given the demographic decline of student populations, the unique cost-of-living pressures on current students in the San Francisco Bay Region, and the unpredictability of state and federal budgets, the three universities require an innovative and transformational approach for long-term fiscal sustainability. There is a limit to the amount that can be reduced on each individual campus without fundamentally deteriorating the institution with vastly diminished services; each president believes that collective action is necessary to avoid crossing such a threshold. The proposed Network will ensure each university fulfills its commitment to academic excellence, supports the workforce needs of the state, and proactively innovates through these challenging fiscal realities.

The Network: A Single Administrative Structure

The Network described here would create a single, efficient and cost-effective organization of the administrative functions most typically included within the portfolio of campus vice presidents for Administration and Finance to support the campuses of Cal State East Bay, Sonoma State, and San Francisco State. Experiences and learnings from the recent COVID-19 pandemic demonstrate that some functions do not need to be tied to a physical location; virtual and hybrid systems can be created that enhance the delivery of some crucial needs. The Network will be structured at the Administration and Finance level and will serve the combined needs of the three universities. Other large CSU universities can also provide touchstones for service delivery.

The Network aims to decrease administrative costs by changing how the work gets done and reimagining how universities collaborate to deliver services. It is bold, innovative and creative – and it is complex. The administrative integration requires that infrastructure and processes be developed that efficiently serve all three universities and result in budgetary savings for each campus. It will also require the dismantling of current structures to build a single, new infrastructure. And it will require a significant shift in university-based attitudes toward how the

campuses operate.

Each university can benefit from a single, strong, central administrative functional area and still deliver their academic mission. The Network will streamline and standardize administrative processes, consolidate where possible, and utilize uniform technology systems and platforms across the three campuses to ensure successful and equitable service. Since the core functions to be integrated will be administrative in nature, there will be no impact to the student academic experience or the faculty's ability to offer instruction

Mass transactional processes offer an ideal focus point for initial integration. The Network described in this item identifies the unification of core administrative services to begin with the integration of transactional activities in four functional operations by January 2026: 1) Human Resources, 2) Procurement, 3) Financial Aid, and 4) IT. After the Network has been initially established, other areas with similar profiles that could benefit from integration will be added to achieve cost-savings goals and honor the commitment to individual excellence. Since the planning process is in its early stages, no date has been set for achieving a fully unified administrative core; future planning will determine timelines using experiences gained from the initial integration.

The need to move with urgency and break away from the status quo and assumptions regarding university service operation is necessary. What is also necessary – and what will be ensured throughout the process – is strict compliance with all existing policy, regulations and collective bargaining agreements. Each president strongly commits to protecting student success, academic integrity, and campus engagement as they and their teams innovate and navigate through a process as complex and unparalleled as this proposal. Design and implementation decisions will be made in consultation with campus experts and stakeholders with the explicit goal of developing uniform practices across all three universities based on data and national best practices.

Steps Currently Underway

Since the presidents' March 2025 commitment letter to Chancellor García, several steps have been taken to develop the framework and implementation plan.

First, each campus is mapping initial business functions to understand the scope, the need and the feasibility of possible areas of integration, ensuring that appropriate areas are identified and elevated for conversation. Deloitte Consulting has begun the work of identifying elements of each area that could benefit from and be sustained through various forms of integration.

Second, the campuses have outlined and developed a governing structure for the project. Presidents Cutrer, Mahoney and Sandeen will serve as executive sponsors. Chief Financial Officer of San Francisco State Jeff Wilson will serve as project lead, gathering and synthesizing information and ensuring transparent communication and coordination consistent with the guiding principles of the project.

Third, the presidents have developed an initial execution timeline with an anticipated unification of the first identified functions – as set forth above – by January 2026. In spring 2025, the project lead will begin meeting with his university counterparts to develop an operational plan. (It is also important to note that the idea is still in its infancy with room to develop.)

Fourth, the presidents have also developed a commitment and timeline for campus engagement and communications. It is assumed that, from the onset and through completion, the three universities will be equal partners in the Network. Decisions and progress will be communicated transparently and frequently in campus-preferred modes and be synchronized to every degree possible. In summer 2025, the project lead will convene a communications and planning team to develop and deploy an engagement strategy for campus constituents to participate in the successful planning of the Network. Campus experts will be deeply engaged in the process and critical to its success. The engagement and communication plan will also include consultation with relevant shared governance partners, frequent updates to established faculty and staff leadership groups, regular email updates to the campus communities, and the development of a common website to serve as a repository for updates and engagement opportunities.

Costs and Savings

The collective goal is to align costs with budget allocation and enrollment-driven revenues and achieve long-term financial sustainability. The Network will achieve this by enhancing efficiencies, easing allocation pressure and by expanding effectiveness to improve and innovate the delivery of services. We expect the creation of the Network to achieve significant administrative cost savings and preserve services that would otherwise be eliminated or reduced through budget cuts and associated cost-savings measures. Ultimately, industry experts have identified a 15-30% reduction in current expenditures to carry out these functions in this unified, core structure.

We anticipate savings to be realized in both administrative cost reduction and in operational efficiency, assuming integrated efforts accelerate productivity and develop more effective engagement. As this unique structural design is developed, we also envision the project to contribute to overall growth through synergy, enhancing innovation and including other functional operations, building and expanding upon the realized savings.

The initial implementation of administrative integration will require an investment of one-time funds. These funds will be used to support the complex work that integration requires. It is critical to note that one-time funding will only be used to establish the Network; it will not be used to offset budget-reduction measures at any of the member institutions. A one-time investment in the Network infrastructure will create a self-sustaining central operation, ensuring the financial sustainability of three individually accredited universities.

Conclusion

The San Francisco Bay Region Network is a bold, creative, proactive and necessary strategy to address the realities of an inexorable shift in demographics that will reduce the region's population of college-going students for decades to come, a shift that threatens the three universities' fiscal sustainability, as well as the California State University system's financial stability more broadly.

The Network will maximize access to affordable, high quality higher education and best serve communities and workforce needs throughout the San Francisco Bay Region by ensuring that the three member universities can continue to operate sustainably in their unique locations.

It is aligned with the findings of the 2023 Sustainable Financial Model Report, which called for innovative solutions to address the CSU's operating budget gap, support its mission, maintain access for students, and to recognize and address funding and enrollment challenges that vary greatly across the regions our system serves. The Network also represents the fulfillment of the broad principles of the Multi-University Collaboration Initiative and can provide the structure to soundly integrate future recommendations.

Importantly, it advances the CSU's and presidents' firm commitment to the individual viability of these universities, so that they can continue to leverage their unique strengths, serve their communities, provide affordable access to higher education and meet workforce preparation needs in this region that is so vitally important to California's future.

Finally, the San Francisco Bay Region Network has great promise to serve as a collaborative model – for other regional networks within the CSU, as well as for challenged regional public universities throughout the nation.

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

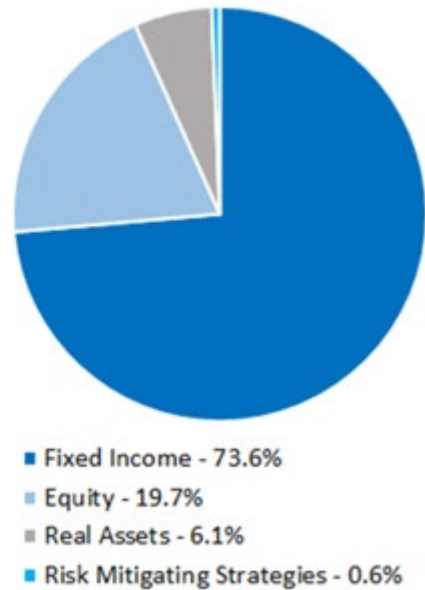
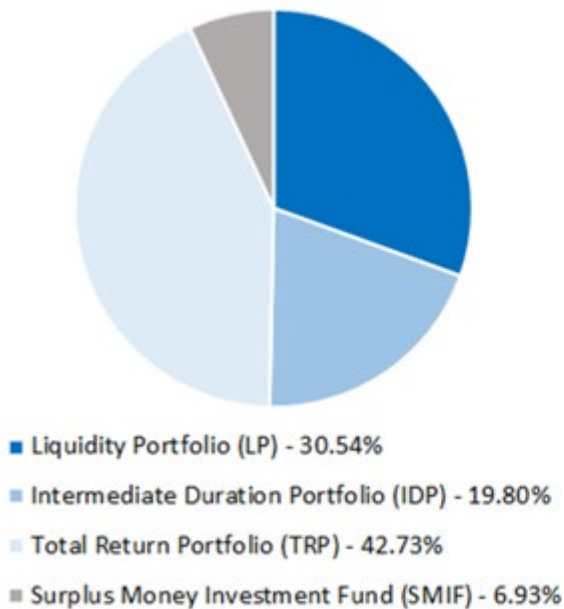
This item provides the quarterly investment report to the California State University Board of Trustees for the quarter ended December 31, 2024. The information in Attachment A provides the entire quarterly investment report regarding CSU investments as required by Education Code § 89726.

Background

Pursuant to the CSU Master Investment Policy, which can be found at <https://calstate.policystat.com/policy/11691689/latest>, CSU investments as of December 31, 2024, consisted of investments in the Liquidity Portfolio (LP), the Intermediate Duration Portfolio (IDP), 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 the figures reported. In addition, this report does not include approximately \$1.71 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, 2024**

	<u>Balance</u>	<u>% of CSU Investments</u>	<u>Twelve Month Returns</u>
Liquidity Portfolio (LP)	\$2.071 billion	30.54%	4.83%
Intermediate Duration Portfolio (IDP)	\$1.342 billion	19.80%	3.07%
Total Return Portfolio (TRP)	\$2.897 billion	42.73%	8.22%
CSU Investment Portfolios	\$6.31 billion		
Surplus Money Investment Fund (SMIF)	\$0.470 billion	6.93%	4.27%
Total CSU Investments	\$6.78 billion	100%	



CSU Investment Performance

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

CSU Liquidity Portfolio (LP)

The purpose of the LP is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objectives are safety of principal and liquidity.

The LP is managed through contracts with two investment management firms, BlackRock Financial Management and Payden & Rygel, each of whom provides investment management services for the program. While the custodian, US Bank, holds the funds invested in the LP 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 LP investment policy. Consistent with state law, the LP is restricted to high quality, fixed income securities.

CSU Intermediate Duration Portfolio (IDP)

The purpose of the IDP is to provide opportunity for modest, additional risk adjusted returns on CSU funds not needed for immediate liquidity. The investment objectives are safety of principal, liquidity, and return.

The IDP is managed through contracts with two investment management firms, PGIM Fixed Income, and Income Research & Management, each of whom provides investment management services for the program. While the custodian, US Bank, holds the funds invested in the IDP, 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 IDP investment policy. Consistent with state law, the IDP is restricted to high quality, fixed income securities.

CSU Total Return Portfolio (TRP)

The purpose of the TRP is to provide the 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 65% 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	

With the passage of AB 2422, effective January 1, 2023, up to 65% of CSU investments may be invested in the TRP and the TRP may additionally invest in commingled funds and exchange-traded funds. Considering these legislative changes, in January of 2023 the IAC took two actions and in March of 2023 the Board of Trustees took one action. First, the IAC approved a recommendation to the Board of Trustees to revise the CSU Master Investment Policy. These recommended revisions were presented to and approved by the Board of Trustees at the March 2023 meeting. The IAC also approved a revised funding schedule for the TRP calling for an additional \$1.25 billion to be invested in the TRP from January of 2023 to December of 2024. At present, \$950 million of the additional \$1.25 billion has been invested in the TRP, with \$300 million set aside to fund future investment strategies subject to approval by the IAC. The investment schedule may also be adjusted by the IAC at any time depending on market conditions and staff will ensure the TRP does not exceed its statutory limit as a percentage of CSU investments.

Since the TRP Inception date¹ through December 31, 2024, the TRP investment earnings were approximately \$655.8 million. During this period, the TRP total return exceeded the LP total return by 4.32% annualized (net of fees) or a cumulative \$429.7 million, which was about 2.9 times higher than LP investment earnings.

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. To facilitate certain expenditures, the CSU maintains modest amounts of funds with the state. Consistent with state law, the portfolio is restricted to high quality, fixed income securities.

¹ The TRP Inception Date was April 1, 2018.

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

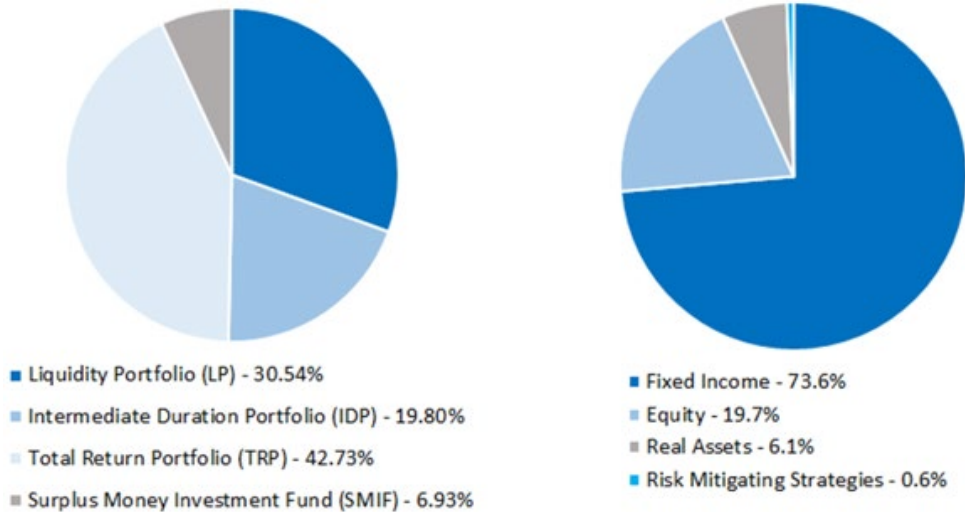
The next investment report to the Board of Trustees is scheduled for the September 2025 meeting and will provide information on the CSU Quarterly Investment Report for the fiscal quarter ending March 31, 2025.

**CSU Quarterly Investment Report
 For the Fiscal Quarter Ended December 31, 2024**

California State University investments as of December 31, 2024, consisted of investments in the CSU Liquidity Portfolio (LP), the Intermediate Duration Portfolio (IDP), 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 \$1.71 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, 2024

	Balance	% of CSU Investments
Liquidity Portfolio (LP)	\$2.071 billion	30.54%
Intermediate Duration Portfolio (IDP)	\$1.342 billion	19.80%
Total Return Portfolio (TRP)	\$2.897 billion	42.73%
Surplus Money Investment Fund (SMIF)	\$0.470 billion	6.93%
CSU Investments	\$6.780 billion	100 %



For the six months ending December 31, 2024, direct investment management fees¹, advisory, and custodial fees totaled just over \$1.8 million, or about 0.026% on CSU investments' average balance for the six months ending December 31, 2024.

¹ 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 6.

CSU Consolidated Investment Portfolio

The following table displays performance returns for the CSU Consolidated Investment Portfolio which includes the LP, IDP, and TRP.²

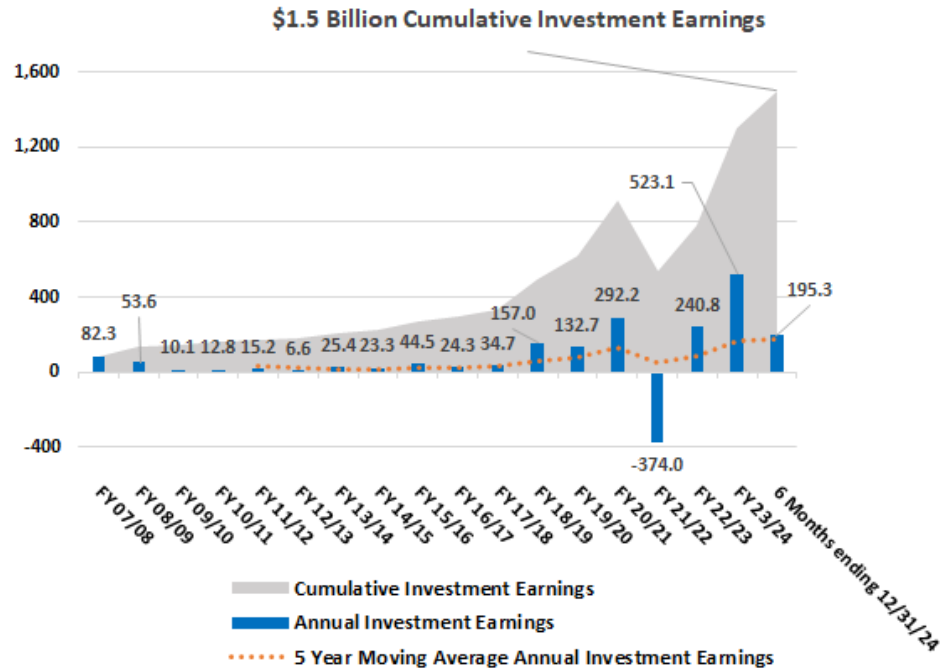
	CSU Consolidated Investment Portfolio	CSU Total Return Portfolio (TRP)	CSU Intermediate Duration Portfolio (IDP)	CSU Liquidity Portfolio (LP)
1 Year Return	5.58%	8.22%	3.07%	4.83%
3 Year Annualized Return	2.39%	1.43%	-0.48%	2.72%
5 Year Annualized Return	3.04%	5.52%	N/A	2.04%
10 Year Annualized Return	2.39%	N/A	N/A	1.75%
Since Inception Return ³	1.96%	6.49%	-0.67%	1.60%

As of December 31, 2024, the TRP since inception investment earnings were approximately \$655.8 million. During this period, the TRP total return exceeded the LP total return by 4.32% annualized (net of fees) or a cumulative \$429.7 million, which was about 2.9 times higher than LP investment earnings.

² CSU Consolidated Investment Portfolio returns exclude SMIF.

³ Inception Dates for the CSU portfolios were: Consolidated Investment Portfolio, July 1, 2007; LP, July 1, 2007; IDP, October 1, 2021; and TRP, April 1, 2018. CSU Consolidated Investment Portfolio, LP, and IDP returns reported gross of fees and as total return, including income and gains (realized and unrealized).

Earnings from CSU Investments (\$ in millions)



CSU Liquidity Portfolio (LP)

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

	<u>CSU Liquidity Portfolio</u>	<u>Benchmark⁴</u>
1 Year Return ⁵	4.83%	4.46%
3 Year Annualized Return	2.72%	2.19%
5 Year Annualized Return	2.04%	1.73%
10 Year Annualized Return	1.75%	1.53%
Annualized Since Inception Return ⁶	1.60%	1.69%
Yield	3.83%	4.27%
Duration (Years)	1.46	1.40
Average Credit Rating	AA-	AA+

⁴ Benchmark for the LP is the Bank of America Merrill Lynch 0-3 Year Treasury Index.

⁵ LP Returns reported gross of fees and as total return, including income and gains (realized and unrealized).

⁶ Inception Date for the LP was July 1, 2007.

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

Treasuries	51.67%	Agency MBS	2.14%
U.S. Corporate Bonds	29.40%	Cash Equivalents	1.41%
Commercial Paper	11.61%	U.S. Government Agencies	1.13%
Certificates of Deposit	2.64%		

CSU Intermediate Duration Portfolio (IDP)

The purpose of the IDP is to provide opportunity for modest, additional risk adjusted returns on CSU funds not needed for immediate liquidity. The investment objectives are safety of principal, liquidity, and return. Consistent with state law, the portfolio is restricted to high quality, fixed income securities.

	CSU Intermediate Duration Portfolio	Benchmark⁷
3 Months Return ⁸	-1.95%	-2.10%
1 Year Return	3.07%	2.71%
3 Year Return	-0.48%	-0.68%
Annualized Since Inception Return ⁹	-0.67%	-0.77%
Yield	5.10%	4.92%
Duration (Years)	4.47	4.57
Average Credit Rating	A+	AA-

Holdings by Asset Type (% of CSU Intermediate Duration Portfolio):

U.S. Corporate Bonds	53.8%	CA Municipal Obligations	1.2%
Agency MBS	30.0%	U.S. Government Agencies	0.6%
Treasuries	11.2%	Cash Equivalents	0.4%
Agency ABS	2.7%	Supranationals	0.1%

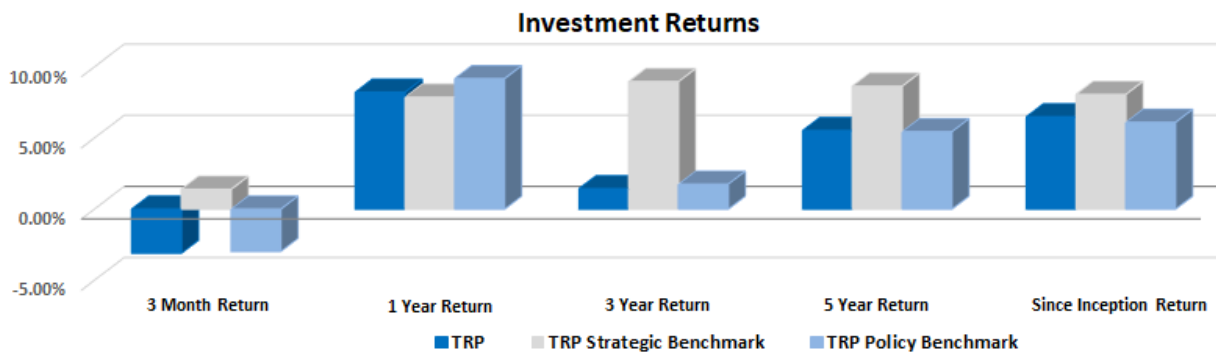
⁷ Benchmark for the IDP is 50% Bloomberg Barclays US Corporate 1-10 Year A or Better Ex-Yankee / 30% Bloomberg Barclays US MBS / 20% Bloomberg Barclays US Intermediate Treasury Index.

⁸ IDP Returns reported gross of fees and as total return, including income and gains (realized and unrealized).

⁹ Inception Date for the IDP was October 1, 2021.

CSU Total Return Portfolio (TRP)

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. 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; institutional commingled funds offered by investment advisors registered with, and under the regulatory authority of the United States Securities and Exchange Commission; or in publicly traded United States registered real estate investment trusts.



	CSU Total Return Portfolio	Strategic Benchmark¹⁰	Policy Benchmark¹¹
3 Months Return	-3.10%	1.39%	-2.97%
1 Year Return	8.22%	7.87%	9.17%
3 Year Annualized Return	1.43%	8.96%	1.75%
5 Year Annualized Return	5.52%	8.64%	5.44%
Annualized Since Inception Return ¹²	6.49%	8.06%	6.10%

In October 2024, the CSU Investment Advisory Committee approved the sixth annual TRP distribution to the system of approximately \$95.5 million, bringing total TRP distributions to the system since inception to \$313.4 million. TRP distributions are allocated to the campuses annually for capital outlay or maintenance. Consistent with 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.

¹⁰ The TRP Strategic Benchmark is inflation (Core Consumer Price Index) plus 4.5% per annum. The long-term rate of inflation is assumed at 2.7% per annum. TRP Investment Returns have trailed the Strategic Benchmark for the 3 year, 5 year, and Since Inception time periods due to extraordinarily high inflation from April 2021 to May of 2023 when Core CPI averaged 5.79% per annum. Source: Bloomberg

¹¹ The TRP Policy Benchmark is a blend of passive indices whose weights match the TRP target asset allocation.

¹² TRP Inception Date was April 1, 2018.

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

Equity Mutual Funds	46.0%	Passive Index Mutual Funds	74%
Fixed Income Mutual Funds	38.3%	Actively Managed Mutual Funds	26% ¹³
Real Asset Mutual Funds	14.2%		
Risk Mitigating Strategies	1.5%		

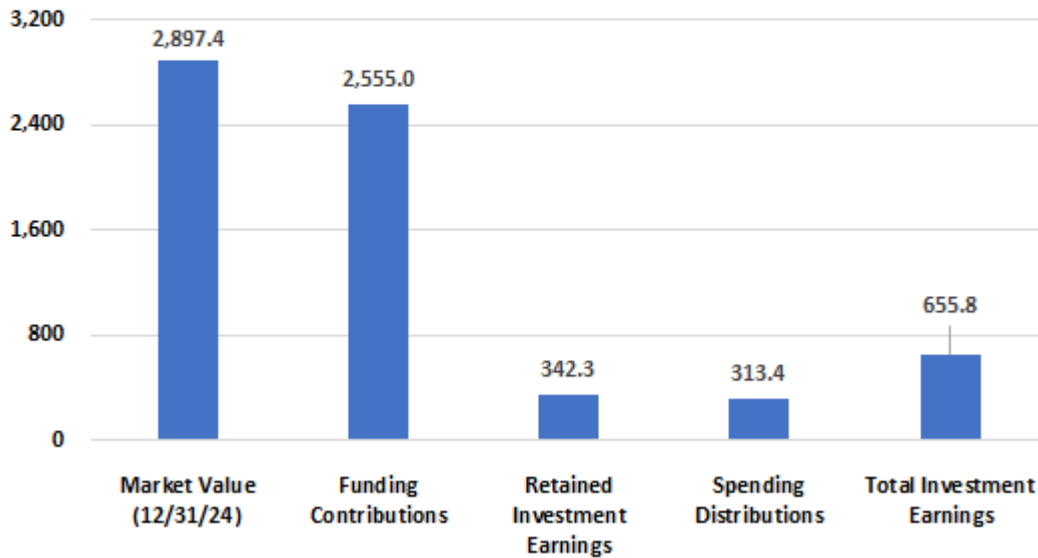
Values, Holdings & Fees (CSU Total Return Portfolio)

Asset Class	Strategy Name	Ticker	Value (millions)	% of Total Return Portfolio	TRP Fund Expense Ratio (Fee)	Median Fee Per Asset Class
Fixed Income						
	Vanguard Total Bond Market Index Fund	VBMPX	603.2	20.82%	0.03%	0.44%
	Vanguard Inflation-Protected Securities Fd	VIPIX	146.8	5.07%	0.07%	0.44%
	American Century High Income Fund	NPHIX	126.1	4.35%	0.58%	0.78%
	Brigade High Yield Fund	N/A	35.3	1.22%	0.30%	0.78%
	Polen Opportunistic High Yield	DDJIX	18.1	0.63%	0.79%	0.78%
	Aristotle Floating Rate Income Fund	PLFRX	90.5	3.13%	0.70%	0.76%
	Payden Emerging Markets Bond Fund	PYEIX	44.3	1.53%	0.69%	0.80%
	T. Rowe Emerging Markets Bond Fund	PRXIX	44.5	1.53%	0.70%	0.80%
Equity						
	Vanguard Total Stock Market Index Fund	VSMPX	693.5	23.94%	0.02%	0.75%
	Vanguard Developed Markets Index Fund	VDIPX	345.6	11.93%	0.04%	0.89%
	Driehaus Emerging Markets Growth Fund	DIEMX	178.1	6.15%	1.09%	1.01%
	DFA Emerging Markets Value Fund	DFEVX	87.5	3.02%	0.44%	1.01%
	Redwheel Global Emerging Equity Fund	RWCEX	28.7	0.99%	1.24%	1.01%
Real Assets						
	Vanguard Real Estate Index Fund	VGSNX	194.4	6.71%	0.10%	0.87%
	Vanguard Materials Index Fund	VMIAX	106.7	3.68%	0.10%	0.92%
	First Sentier Global Listed Infrastructure Fd	FLIIX	111.7	3.86%	0.95%	0.97%
Risk Mitigating Strategies						
	Fidelity Long Term Treasury Bond Index Fd	FNBGX	42.4	1.46%	0.03%	0.20%
Cash						
			0.0	0.00%	NA	NA
Total			2,897.4	100%	0.24%	0.73%

¹³ 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 total TRP Fund Expense Ratio and total Median Fee Per Asset Class are weighted averages using the percent of the TRP shown in the table for each fund and their respective asset class.

The following chart shows the TRP market value, total funded contributions, total retained investment earnings, total spending distributions, and total investment earnings since inception as of December 31, 2024. Total TRP investment earnings equal total TRP spending distributions plus total TRP retained investment earnings.

TRP Market Value, Funding Contributions, Retained Investment Earnings, and Spending Distributions Since Inception as of December 31, 2024 (\$ 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.

Apportionment Annual Yield¹⁴	
Trailing 12 month as of 12/31/24	4.27%
Average (FYE 06/30/07 – 12/31/24)	1.37%

¹⁴ Annual Yield calculated by CSU Treasury Operations based on the quarterly apportionment yield rates published by the State Controller’s Office.