

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). In the further opinion of Bond Counsel, interest on the Series 2021A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2021 Bonds is exempt from State of California personal income taxes. Bond Counsel also observes that interest on the Series 2021B Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2021 Bonds. See “TAX MATTERS” herein.

On April 20, 2016, Bond Counsel delivered its opinion in connection with the issuance of the Series 2016B-2 Bonds. Such opinion stated that, based on an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016B-2 Bonds was excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and was exempt from State of California personal income taxes. Further, the opinion of Bond Counsel stated that interest on the Series 2016B-2 Bonds was not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest was included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2016B-2 Bonds. Bond Counsel has not taken and does not intend to take any action to update such opinion or to determine if interest on the Series 2016B-2 Bonds is presently excluded from gross income for federal income tax purposes or exempt from State of California personal income taxes. Effective January 1, 2018, the corporate alternative minimum tax has been repealed. See “TAX MATTERS” herein.

**\$124,235,000**

**TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BONDS  
SERIES 2021A**

**\$1,664,085,000**

**TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BONDS  
SERIES 2021B (TAXABLE)**



**\$100,000,000**

**TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY  
SYSTEMWIDE REVENUE BONDS  
SERIES 2016B-2**

**Dated: Series 2016B-2 Bonds: April 20, 2016  
Series 2021A Bonds: Date of Delivery  
Series 2021B Bonds: Date of Delivery**

**Due: November 1, as shown on inside cover**

The Trustees of the California State University Systemwide Revenue Bonds, Series 2021A (the “Series 2021A Bonds”) and the Trustees of the California State University Systemwide Revenue Bonds, Series 2021B (Taxable) (the “Series 2021B Bonds”) and, together with the Series 2021A Bonds, the “Series 2021 Bonds”) are being issued by the Trustees of the California State University (the “Board”) pursuant to an Indenture, dated as of April 1, 2002, as supplemented from time to time, including by a Thirty-Fifth Supplemental Indenture in respect of the Series 2021A Bonds and a Thirty-Sixth Supplemental Indenture in respect of the Series 2021B Bonds, each dated as of July 1, 2021 (collectively, the “Indenture”), between the Board and the Treasurer of the State of California, as trustee (the “State Treasurer”). The Series 2021 Bonds are being issued to finance and refinance the acquisition, construction, renovation and improvement of certain facilities of the California State University, including through the refunding of certain outstanding lease revenue bonds issued by the State Public Works Board of the State of California (the “State Public Works Board”) on behalf of the Board, and to refinance certain Outstanding Systemwide Revenue Bonds. See Appendix H – “PROJECTS FINANCED AND BONDS REFINANCED WITH SERIES 2021 BONDS.”

The Trustees of the California State University Systemwide Revenue Bonds, Series 2016B-2 (the “Series 2016B-2 Bonds”) and, together with the Series 2021 Bonds, the “Offered Bonds”) were originally issued on April 20, 2016 in the original aggregate principal amount of \$100,000,000 and are being remarketed in connection with a mandatory tender thereof as a result of the Board’s election to establish a new Term Rate Period.

The Series 2016B-2 Bonds will be remarketed in a new Term Rate Period beginning on the date they are remarketed and (unless terminated earlier as provided herein) ending on the day prior to the applicable Scheduled Mandatory Tender Date identified above. U.S. Bank National Association will serve as Tender Agent, Paying Agent and Calculation Agent for the Series 2016B-2 Bonds. THIS OFFICIAL STATEMENT AND REMARKETING MEMORANDUM IS NOT INTENDED TO AND DOES NOT PROVIDE INFORMATION WITH RESPECT TO THE SERIES 2016B-2 BONDS AFTER ADJUSTMENT TO ANY NEW INTEREST RATE PERIOD, OTHER THAN THE TERM RATE PERIOD DESCRIBED HEREIN.

The Series 2021 Bonds are being issued on a parity with other bonds of the Board that have been issued previously or may be issued in the future pursuant to the Indenture. The pledge of and lien on the Gross Revenues under the Indenture secures bonds issued under the Indenture on a parity basis and is senior to other indebtedness of the Board. See “SECURITY FOR THE OFFERED BONDS – Parity Lien Indebtedness; No Senior Lien Indebtedness.”

The Series 2021 Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof, and following their purchase by the Underwriters will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Series 2021 Bonds. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interests in the Series 2021 Bonds purchased. See “THE OFFERED BONDS—Book Entry Only System.”

Interest on the Offered Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2021. Principal of and interest on the Offered Bonds are payable by the State Treasurer, as trustee, to DTC. DTC is required to remit such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Offered Bonds, as described herein. See Appendix G – “CLEARING SYSTEMS.”

The Series 2021 Bonds are subject to optional redemption and mandatory sinking account redemption as described herein. The Series 2016B-2 Bonds are subject to optional redemption prior to their stated maturity and to mandatory tender, all as further described herein. See “THE OFFERED BONDS – Redemption – Series 2016B-2 Bonds” and “– Redemption – Series 2021 Bonds” and “THE OFFERED BONDS – Mandatory Tender of Series 2016B-2 Bonds.”

The issuance or remarketing of each Series of Offered Bonds, as applicable, is not contingent upon the issuance or remarketing of the other Series of Bonds.

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES/YIELDS  
SEE INSIDE COVER**

THE OFFERED BONDS ARE LIMITED OBLIGATIONS OF THE BOARD, PAYABLE FROM GROSS REVENUES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE. NEITHER THE PAYMENT OF THE PRINCIPAL OF THE OFFERED BONDS NOR ANY PART THEREOF, NOR ANY INTEREST THEREON, CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA. THE OFFERED BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR OTHER ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE STATE OF CALIFORNIA OR OF THE BOARD, EXCEPT TO THE EXTENT OF THE AFOREMENTIONED PLEDGE. THE OWNERS OF THE OFFERED BONDS HAVE NO RIGHT TO COMPEL THE EXERCISE OF ANY TAXING POWER OF THE STATE OF CALIFORNIA. THE BOARD HAS NO TAXING POWER.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Official Statement and Remarketing Memorandum to obtain information essential to making an informed investment decision.

In connection with the remarketing of the Series 2016B-2 Bonds by J.P. Morgan Securities LLC, as remarketing agent (the “Remarketing Agent”), certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board and for the Remarketing Agent by Hawkins Delafield & Wood LLP, as counsel to the Remarketing Agent. The Series 2021 Bonds are offered when, as and if issued, subject to the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board. Certain legal matters will be passed upon for the Board by its General Counsel and for the Underwriters by Hawkins Delafield & Wood LLP, as Underwriters’ Counsel, and Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the Board. It is anticipated that the Series 2021 Bonds will be available for delivery to DTC in New York, New York, on or about July 29, 2021.

**J.P. Morgan**

**UBS**

**Academy Securities**

**Jefferies**

**Co-Managers for the Series 2021 Bonds**

**Amerivet Securities Inc.  
Cabrera Capital Markets, LLC  
Great Pacific Securities  
Morgan Stanley  
RBC Capital Markets  
Stifel**

**Barclays  
Citigroup  
Loop Capital Markets  
Piper Sandler & Co.  
Ramirez & Co., Inc.  
UMB Bank, N.A.**

**BofA Securities  
Goldman Sachs & Co. LLC  
Mischler Financial Group, Inc.  
Raymond James  
Siebert Williams Shank & Co., LLC  
Wells Fargo Securities**

## MATURITY SCHEDULE

### SERIES 2021A BONDS

| <u>Maturity<br/>(November 1)</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield</u> | <u>CUSIP*<br/>(13077D)</u> | <u>Maturity<br/>(November 1)</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield</u>        | <u>CUSIP*<br/>(13077D)</u> |
|----------------------------------|-----------------------------|--------------------------|--------------|----------------------------|----------------------------------|-----------------------------|--------------------------|---------------------|----------------------------|
| 2021                             | \$6,865,000                 | 5.000%                   | 0.070%       | QW5                        | 2032                             | \$2,980,000                 | 5.000%                   | 0.960% <sup>C</sup> | RH7                        |
| 2022                             | 7,340,000                   | 5.000                    | 0.080        | QX3                        | 2033                             | 3,130,000                   | 5.000                    | 1.030 <sup>C</sup>  | RJ3                        |
| 2023                             | 8,225,000                   | 5.000                    | 0.140        | QY1                        | 2034                             | 3,275,000                   | 4.000                    | 1.180 <sup>C</sup>  | RK0                        |
| 2024                             | 8,900,000                   | 5.000                    | 0.240        | QZ8                        | 2035                             | 2,725,000                   | 4.000                    | 1.230 <sup>C</sup>  | RL8                        |
| 2025                             | 5,740,000                   | 5.000                    | 0.310        | RA2                        | 2036                             | 2,840,000                   | 4.000                    | 1.290 <sup>C</sup>  | RM6                        |
| 2026                             | 2,215,000                   | 5.000                    | 0.410        | RB0                        | 2037                             | 2,940,000                   | 3.000                    | 1.650 <sup>C</sup>  | RN4                        |
| 2027                             | 2,325,000                   | 5.000                    | 0.540        | RC8                        | 2038                             | 3,030,000                   | 3.000                    | 1.700 <sup>C</sup>  | RP9                        |
| 2028                             | 2,445,000                   | 5.000                    | 0.610        | RD6                        | 2039                             | 3,125,000                   | 3.000                    | 1.750 <sup>C</sup>  | RQ7                        |
| 2029                             | 2,565,000                   | 5.000                    | 0.730        | RE4                        | 2040                             | 3,220,000                   | 3.000                    | 1.780 <sup>C</sup>  | RR5                        |
| 2030                             | 2,705,000                   | 5.000                    | 0.810        | RF1                        | 2041                             | 3,315,000                   | 3.000                    | 1.810 <sup>C</sup>  | RS3                        |
| 2031                             | 2,840,000                   | 5.000                    | 0.880        | RG9                        |                                  |                             |                          |                     |                            |

\$18,145,000 3.000% Term Bond due November 1, 2046 Yield: 1.940%<sup>C</sup>, CUSIP\* 13077DRT1

\$23,345,000 3.000% Term Bond due November 1, 2052 Yield: 1.980%<sup>C</sup>, CUSIP\* 13077DRU8

### SERIES 2021B BONDS (TAXABLE)

| <u>Maturity<br/>(November 1)</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Price</u> | <u>CUSIP*<br/>(13077D)</u> | <u>Maturity<br/>(November 1)</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Price</u> | <u>CUSIP*<br/>(13077D)</u> |
|----------------------------------|-----------------------------|--------------------------|--------------|----------------------------|----------------------------------|-----------------------------|--------------------------|--------------|----------------------------|
| 2022                             | \$ 4,010,000                | 0.196%                   | 100%         | QA3                        | 2031                             | \$59,380,000                | 1.854%                   | 100%         | QK1                        |
| 2023                             | 4,590,000                   | 0.346                    | 100          | QB1                        | 2032                             | 54,610,000                  | 1.994                    | 100          | QL9                        |
| 2024                             | 37,220,000                  | 0.563                    | 100          | QC9                        | 2033                             | 53,960,000                  | 2.144                    | 100          | QM7                        |
| 2025                             | 58,790,000                  | 0.862                    | 100          | QD7                        | 2034                             | 55,155,000                  | 2.274                    | 100          | QN5                        |
| 2026                             | 58,275,000                  | 1.142                    | 100          | QE5                        | 2035                             | 54,100,000                  | 2.374                    | 100          | QP0                        |
| 2027                             | 58,025,000                  | 1.361                    | 100          | QF2                        | 2036                             | 33,810,000                  | 2.424                    | 100          | QQ8                        |
| 2028                             | 58,885,000                  | 1.521                    | 100          | QG0                        | 2037                             | 34,680,000                  | 2.525                    | 100          | QR6                        |
| 2029                             | 59,830,000                  | 1.674                    | 100          | QH8                        | 2038                             | 29,985,000                  | 2.625                    | 100          | QS4                        |
| 2030                             | 60,865,000                  | 1.794                    | 100          | QJ4                        | 2039                             | 14,760,000                  | 2.675                    | 100          | QT2                        |

\$144,940,000 2.795% Term Bond due November 1, 2041 Price: 100%, CUSIP\* 13077DQU9

\$78,305,000 2.845% Term Bond due November 1, 2044 Price: 100%, CUSIP\* 13077DQV7

\$325,450,000 2.939% Term Bond due November 1, 2052 Price: 100%, CUSIP\* 13077DRV6

\$324,460,000 2.719% Term Bond due November 1, 2052 Price: 100%, CUSIP\* 13077DRW4

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<sup>C</sup> Yield computed to the first optional redemption date of November 1, 2031 at par.

## SUMMARY OF REMARKETING

### SERIES 2016B-2 BONDS

| <b>Maturity<br/>(November 1)</b> | <b>Principal<br/>Amount</b> | <b>Term Rate</b> | <b>Price</b> | <b>Term Rate<br/>Scheduled Mandatory<br/>Tender Date</b> | <b>Term Rate<br/>Call Protection<br/>Date</b> | <b>CUSIP*<br/>(13077C)</b> |
|----------------------------------|-----------------------------|------------------|--------------|--|---|----------------------------|
| 2049                             | \$100,000,000               | 0.550%           | 100%         | November 1, 2026   | May 1, 2026                                   | 4K7                        |

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## CALIFORNIA STATE UNIVERSITY

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| Andrew Jones, <i>Executive Vice Chancellor, General Counsel and Secretary of the Board</i>          |
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### Special Services

|   |
|---|
| The Honorable Fiona Ma<br><i>Treasurer of the State of California</i>         |
| The Honorable Rob Bonta<br><i>Attorney General of the State of California</i> |
| Orrick, Herrington & Sutcliffe LLP<br>Bond Counsel and Disclosure Counsel     |
| KNN Public Finance, LLC<br>Municipal Advisor                                  |
| Causey Demgen & Moore P.C.<br>Verification Agent                              |

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\* By operation of California Education Code, office continues beyond June 30, 2021 expiration of term pending appointment of successor.

This Official Statement and Remarketing Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of Offered Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and Remarketing Memorandum and, if given or made, such other information or representations must not be relied upon as having been authorized by the Board or the State of California.

Certain of the information set forth herein has been obtained from the State of California, the Board, and other sources which are believed to be reliable. Such information is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement and Remarketing Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State of California or the California State University since the date hereof. This Official Statement and Remarketing Memorandum is submitted in connection with the sale or remarketing of the Offered Bonds and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the California State University.

The Underwriters and Remarketing Agent have provided the following sentence for inclusion in this Official Statement and Remarketing Memorandum:

The Underwriters and Remarketing Agent have reviewed the information in this Official Statement and Remarketing Memorandum in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters and Remarketing Agent do not guarantee the accuracy or completeness of such information.

This Official Statement and Remarketing Memorandum is not to be construed as a contract with the purchasers of the Offered Bonds. Statements contained in this Official Statement and Remarketing Memorandum which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

A wide variety of other information, including financial information, concerning the State of California and the California State University is available from State agencies, State agency publications and State agency internet sites. Any such information that is inconsistent with the information set forth in this Official Statement and Remarketing Memorandum should be disregarded. No such information is a part of, or incorporated into, this Official Statement and Remarketing Memorandum. The references to internet websites contained in this Official Statement and Remarketing Memorandum are shown for reference and convenience only; the information contained in such websites is not incorporated herein by reference and does not constitute a part of this Official Statement and Remarketing Memorandum.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2021 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE OFFERED BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

NO ACTION HAS BEEN TAKEN BY THE BOARD THAT WOULD PERMIT A PUBLIC OFFERING OF THE SERIES 2021 BONDS OR POSSESSION OR DISTRIBUTION OF THE OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL IN ANY FOREIGN JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, EACH OF THE UNDERWRITERS HAS AGREED THAT IT WILL COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE SERIES 2021 BONDS OR POSSESSES

OR DISTRIBUTES THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE SERIES 2021 BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES AND THE BOARD SHALL HAVE NO RESPONSIBILITY THEREFOR.

### **INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

REFERENCES TO THE “ISSUER” IN THE FOLLOWING PARAGRAPHS PERTAINING TO OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES MEAN THE TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY AND REFERENCES TO “BONDS” OR “SECURITIES” MEAN THE TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY SYSTEMWIDE REVENUE BONDS, SERIES 2021B (TAXABLE) OFFERED HEREBY. “OFFICIAL STATEMENT” MEANS THIS OFFICIAL STATEMENT AND REMARKETING MEMORANDUM. **NONE OF THE ISSUER, THE STATE TREASURER OR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE CONTENTS OF THIS SECTION.**

### **MINIMUM UNIT SALES**

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000). FOR ANY SALES MADE IN KOREA, THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$6,000,000 PRINCIPAL AMOUNT) AND THERE IS NO MINIMUM PURCHASE OR TRADING AMOUNT.

### **NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA (“EEA”) OR THE UNITED KINGDOM**

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A “RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM. FOR THESE PURPOSES, A “RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (“EUWA”); (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE “FSMA”) AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS

PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “UK PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) OF THE PROSPECTUS REGULATION OR SECTION 86 OF THE FSMA (IN EACH CASE AS APPLICABLE) FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE BONDS. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OR THE UNITED KINGDOM OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE BONDS IN ANY MEMBER STATE OF THE EEA OR THE UNITED KINGDOM MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS OR SUBSCRIBE FOR THE BONDS.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OF THE EEA OR THE UNITED KINGDOM WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION AND IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

#### **ADDITIONAL NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM**

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

#### **NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND**

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR A SOLICITATION TO PURCHASE OR INVEST IN THE BONDS. THE BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS

FINANCIAL SERVICES ACT (“**FINSA**”) AND NO APPLICATION HAS OR WILL BE MADE TO ADMIT THE BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS CONSTITUTES A PROSPECTUS PURSUANT TO (I) THE FINSA OR (II) THE LISTING RULES OF THE SIX SWISS EXCHANGE AG OR ANY OTHER REGULATED TRADING VENUE IN SWITZERLAND AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND. THIS OFFICIAL STATEMENT WILL NOT BE REVIEWED NOR APPROVED BY A REVIEWING BODY FOR PROSPECTUSES (*PRÜFSTELLE*).

NONE OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, THE ISSUER OR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. IN PARTICULAR, THIS OFFICIAL STATEMENT WILL NOT BE FILED WITH, AND THE OFFER OF THE BONDS WILL NOT BE SUPERVISED BY, THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY (“**FINMA**”), AND THE OFFER OF BONDS HAS NOT BEEN AND WILL NOT BE AUTHORIZED UNDER THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES (“**CISA**”). ACCORDINGLY, INVESTORS DO NOT HAVE THE BENEFIT OF THE SPECIFIC INVESTOR PROTECTION PROVIDED UNDER THE CISA.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE INVESTMENT ADVICE. IT MAY ONLY BE USED BY THOSE PERSONS TO WHOM IT HAS BEEN HANDED OUT IN CONNECTION WITH THE BONDS AND MAY NEITHER BE COPIED NOR DIRECTLY OR INDIRECTLY DISTRIBUTED OR MADE AVAILABLE TO OTHER PERSONS.

#### **NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG**

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFICIAL STATEMENT HAS NOT BEEN OR WILL NOT BE REGISTERED AS A PROSPECTUS (AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32) OF THE LAWS OF HONG KONG (“**C(WUMP)O**”)) IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG (“**SFO**”)).

ACCORDINGLY: (I) THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT, ANY BONDS OTHER THAN (A) TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO, OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” AS DEFINED IN THE C(WUMP)O OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE C(WUMP)O; AND (II) NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” AS DEFINED IN THE SFO AND ANY RULES MADE UNDER THE SFO.

#### **NOTICE TO PROSPECTIVE INVESTORS IN JAPAN**

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO. 25 OF 1948, AS AMENDED, THE “**FIEA**”). NEITHER THE BONDS NOR ANY INTEREST THEREIN MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (AS DEFINED UNDER ITEM 5, PARAGRAPH 1, ARTICLE 6 OF THE FOREIGN EXCHANGE AND FOREIGN TRADE ACT (ACT NO. 228 OF 1949, AS AMENDED)), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR



INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEA AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA (“QIIS”) IN RELIANCE ON THE QIIS-ONLY PRIVATE PLACEMENT EXEMPTION AS SET FORTH IN ITEM 2(I), PARAGRAPH 3, ARTICLE 2 OF THE FIEA. A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

#### **NOTICE TO INVESTORS IN SINGAPORE**

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF THE BONDS MAY NOT BE CIRCULATED OR DISTRIBUTED, NOR MAY THE BONDS BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR (AS DEFINED IN SECTION 4A OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE “*SFA*”)) PURSUANT TO SECTION 274 OF THE SFA, (II) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) PURSUANT TO SECTION 275(1) OF THE SFA, OR ANY PERSON PURSUANT TO SECTION 275(1A) OF THE SFA, AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA, OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

WHERE THE BONDS ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 OF THE SFA BY A RELEVANT PERSON WHICH IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR,

SECURITIES OR SECURITIES-BASED DERIVATIVES CONTRACTS (EACH TERM AS DEFINED IN SECTION 2(1) OF THE SFA) OF THAT CORPORATION OR THE BENEFICIARIES’ RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN SIX MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE BONDS PURSUANT TO AN OFFER MADE UNDER SECTION 275 OF THE SFA, EXCEPT:

- (1) TO AN INSTITUTIONAL INVESTOR OR TO A RELEVANT PERSON, OR TO ANY PERSON ARISING FROM AN OFFER REFERRED TO IN SECTION 275(1A) OR SECTION 276(4)(I)(B) OF THE SFA;
- (2) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER;
- (3) WHERE THE TRANSFER IS BY OPERATION OF LAW;
- (4) AS SPECIFIED IN SECTION 276(7) OF THE SFA; OR

- (5) AS SPECIFIED IN REGULATION 37A OF THE SECURITIES AND FUTURES (OFFERS OF INVESTMENTS) (SECURITIES AND SECURITIES-BASED DERIVATIVES CONTRACTS) REGULATIONS 2018 OF SINGAPORE.

**NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT  
(CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME  
( THE “SFA” )**

IN CONNECTION WITH SECTION 309B OF THE SFA AND THE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018 OF SINGAPORE (THE “*CMP REGULATIONS 2018*”), ALL RELEVANT PERSONS (AS DEFINED IN SECTION 309A(1) OF THE SFA) ARE HEREBY NOTIFIED THAT THE BONDS ARE PRESCRIBED CAPITAL MARKETS PRODUCTS (AS DEFINED IN THE CMP REGULATIONS 2018) AND EXCLUDED INVESTMENT PRODUCTS (AS DEFINED IN MAS NOTICE SFA 04-N12: NOTICE ON THE SALE OF INVESTMENT PRODUCTS AND MAS NOTICE FAA-N16: NOTICE ON RECOMMENDATIONS ON INVESTMENT PRODUCTS).

**NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN**

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY, TO THE EXTENT PERMITTED UNDER APPLICABLE LAWS AND REGULATIONS. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

**NOTICE TO INVESTORS IN KOREA**

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN KOREA, BY ACCEPTING DELIVERY OF THIS OFFICIAL STATEMENT, WILL BE DEEMED TO HAVE MADE THE ACKNOWLEDGMENTS, REPRESENTATIONS, WARRANTIES AND AGREEMENTS DESCRIBED UNDER THIS “NOTICE TO INVESTORS IN KOREA.” THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA FOR PUBLIC OFFERING IN KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY THE “FSCMA”). THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED OR SOLD TO ANY PERSON FOR REOFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT AS OTHERWISE PERMITTED UNDER THE APPLICABLE LAWS AND REGULATIONS OF KOREA, INCLUDING THE FSCMA AND THE FOREIGN EXCHANGE TRANSACTION LAW AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE “FETL”). WITHOUT PREJUDICE TO THE FOREGOING, THE NUMBER OF BONDS OFFERED IN KOREA OR TO A RESIDENT IN KOREA SHALL BE LESS THAN FIFTY AND FOR A PERIOD OF ONE YEAR FROM THE ISSUE DATE OF THE BONDS, NONE OF THE BONDS MAY BE DIVIDED RESULTING IN AN INCREASED NUMBER OF THE BONDS. FURTHERMORE, THE BONDS MAY NOT BE RESOLD TO KOREAN RESIDENTS UNLESS THE PURCHASER OF THE BONDS COMPLIES WITH ALL APPLICABLE REGULATORY REQUIREMENTS (INCLUDING BUT NOT LIMITED TO GOVERNMENT REPORTING REQUIREMENTS UNDER THE FETL) IN CONNECTION WITH THE PURCHASE OF THE BONDS.

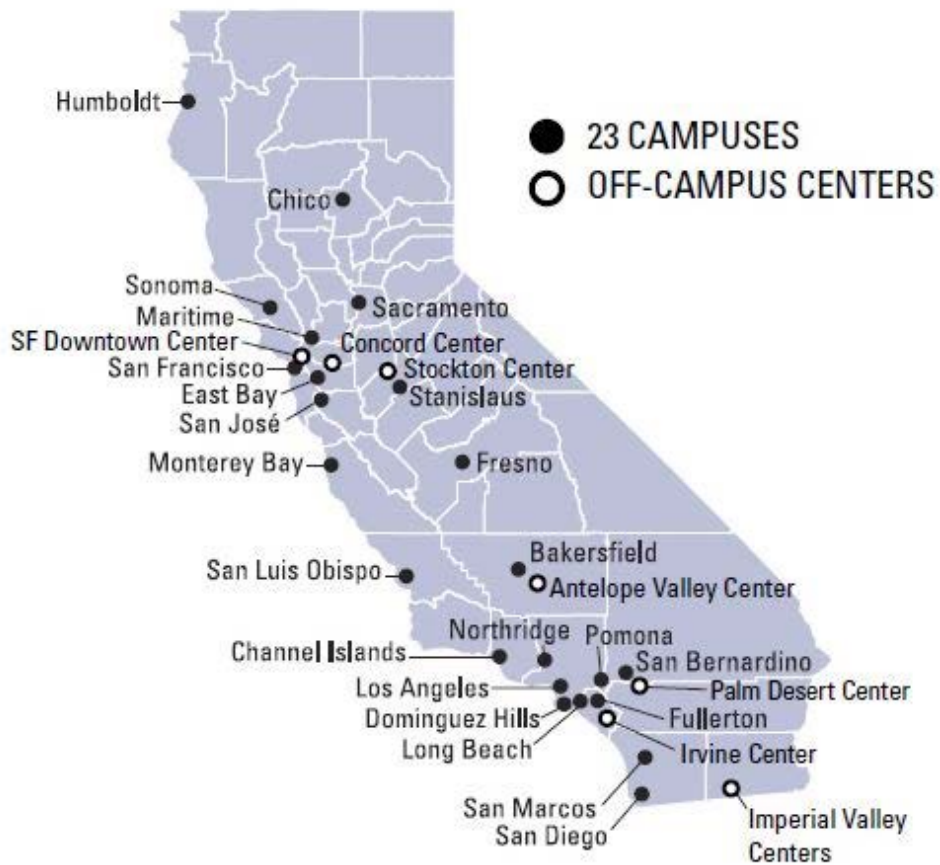
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## THE 23 CURRENT CAMPUSES OF THE CSU & CSU OFF-CAMPUS CENTERS



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## OFFICIAL STATEMENT AND REMARKETING MEMORANDUM

|  |  |  |
|--|--|--|
| <b>\$124,235,000</b>   | <b>\$1,664,085,000</b>   | <b>\$100,000,000</b>   |
| <b>TRUSTEES OF THE CALIFORNIA<br/>STATE UNIVERSITY<br/>SYSTEMWIDE REVENUE BONDS<br/>SERIES 2021A</b> | <b>TRUSTEES OF THE CALIFORNIA<br/>STATE UNIVERSITY<br/>SYSTEMWIDE REVENUE BONDS<br/>SERIES 2021B<br/>(TAXABLE)</b> | <b>TRUSTEES OF THE CALIFORNIA<br/>STATE UNIVERSITY<br/>SYSTEMWIDE REVENUE BONDS<br/>SERIES 2016B-2</b> |

### INTRODUCTION

*This introduction contains only a brief summary of certain of the terms of the Offered Bonds and a brief description of the Official Statement and Remarketing Memorandum. A full review should be made of the entire Official Statement and Remarketing Memorandum including the Appendices hereto. All statements contained in this introductory section are qualified in their entirety by reference to the entire Official Statement and Remarketing Memorandum. References to, and summaries of, provisions of the Constitution and laws of the State of California or any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions thereof.*

#### General

The purpose of this Official Statement and Remarketing Memorandum (which may be referred to herein as the “Official Statement”) is to set forth certain information concerning the Trustees of the California State University Systemwide Revenue Bonds, Series 2021A (the “Series 2021A Bonds”) and the Trustees of the California State University Systemwide Revenue Bonds, Series 2021B (Taxable) (the “Series 2021B Bonds” and, together with the Series 2021A Bonds, the “Series 2021 Bonds”) and the remarketing of the Trustees of the California State University Systemwide Revenue Bonds, Series 2016B-2 (the “Series 2016B-2 Bonds”). The Series 2021 Bonds and the Series 2016B-2 Bonds are collectively referred to herein as the “Offered Bonds.”

The Series 2021 Bonds are authorized to be issued by the Trustees of the California State University (the “Board”) pursuant to The State University Revenue Bond Act of 1947, Sections 90010 through 90081 of the Education Code of the State of California (the “Act”) and an indenture, dated as of April 1, 2002 (as amended and supplemented, the “Indenture”), by and between the Board and the Treasurer of the State of California, as trustee (the “State Treasurer”).

The remarketing of the Series 2016B-2 Bonds is made only by way of this Official Statement and Remarketing Memorandum. THIS OFFICIAL STATEMENT AND REMARKETING MEMORANDUM IS NOT INTENDED TO AND MAY NOT BE RELIED UPON TO PROVIDE ANY INFORMATION WITH RESPECT TO THE SERIES 2016B-2 BONDS AFTER ADJUSTMENT TO ANY NEW INTEREST RATE PERIOD OTHER THAN THE TERM RATE PERIOD DESCRIBED HEREIN.

#### CSU and Systemwide Financing Program

The California State University (the “CSU”) is an agency of the State of California (the “State”) created by the Donahoe Higher Education Act in 1960, which reorganized higher education in California. At that time, twelve existing schools, previously under the jurisdiction of the State Board of Education, were brought under the stewardship of the Board. Today there are 23 campuses and eight off-campus centers in the CSU system. The campuses are geographically dispersed throughout the State to provide a wide spectrum of higher education services. During the Fall 2020 term, CSU provided instruction to approximately 432,000 undergraduate students, 12,600 post-baccalaureate students and 40,700 graduate students. See Appendix A for a general description of CSU and Appendix B for an overview of each CSU campus.

CSU issues debt to finance many of its capital facilities needs. Responsibility for the management of CSU debt obligations is centralized in the CSU Chancellor’s Office, with oversight and ultimate approval by the Board. See Appendix A – “CALIFORNIA STATE UNIVERSITY – CSU AND RELATED ENTITY INDEBTEDNESS.”

The Series 2021 Bonds represent the thirty-sixth and thirty-seventh series of bonds issued by the Board pursuant to a systemwide debt financing program adopted on March 13, 2002 (the “Systemwide Financing Program”). Before the establishment of the Systemwide Financing Program, the Board had financed various capital projects by issuing directly, or through auxiliary support organizations, separate series of bonds relating to individual projects or one or more similar projects. The Systemwide Financing Program has a multi-source revenue pledge intended to create an efficient borrowing structure with a diverse revenue base. The Board retains the right to finance projects outside of the Systemwide Financing Program. The Board expects the Systemwide Financing Program to continue to be the primary long-term financing method for CSU revenue generating capital projects and also to be the primary long-term financing method for future academic, administrative and certain other non-revenue generating capital projects. See “– Capital Financing Authorities” below.

Revenues pledged under the Systemwide Financing Program have historically included student housing fees, student body center fees, parking fees, health center facility fees and continuing education fees derived from substantially all of the housing, parking, student union, student center, student health center and continuing education facilities owned or operated by the Board and other projects and revenues designated by the Board for inclusion in the Systemwide Financing Program. Those other projects and revenues include certain projects leased by the Board to certain auxiliary organizations of CSU and the California State University, Channel Islands Site Authority, a governmental entity related to CSU. The Tuition Fee (previously known as the State University Fee), which is the basic enrollment charge paid by all students who attend CSU, was added to the pledge of revenues under the Systemwide Financing Program as of April 20, 2016. See “– Capital Financing Authorities” below. See also “SECURITY FOR THE OFFERED BONDS,” “THE PROJECTS” and Appendix A – “CALIFORNIA STATE UNIVERSITY – SYSTEMWIDE REVENUE BOND PROGRAMS.”

### **Security for the Offered Bonds**

The Offered Bonds are limited obligations of the Board. The Series 2021 Bonds are being issued as Additional Bonds pursuant to the Indenture and will be secured on a parity with the \$7,888,015,000 aggregate principal amount of revenue bonds that are issued and outstanding pursuant to the Indenture as of June 25, 2021 (without taking into account the issuance of the Series 2021 Bonds or any refunding of certain of such revenue bonds as described under “PLAN OF FINANCE – Refunding Plan,” herein) of which \$250 million are Bonds which have fixed term rates through various mandatory tender dates, including the Series 2016B-2 Bonds, and the balance are fixed-rate to their respective final maturity dates. These revenue bonds together with the Series 2021 Bonds and any additional series of revenue bonds that the Board may issue in the future from time to time in accordance with the Indenture are collectively referred to in this Official Statement and Remarketing Memorandum as the “Systemwide Revenue Bonds.” See “SECURITY FOR THE OFFERED BONDS – Parity Lien Indebtedness; No Senior Lien Indebtedness.”

The Systemwide Revenue Bonds are secured on a senior basis to certain other obligations of CSU and related entities, some of which obligations may bear interest at variable rates and may be of a relatively shorter term than the Systemwide Revenue Bonds. See Appendix A – “CALIFORNIA STATE UNIVERSITY – CSU AND RELATED ENTITY INDEBTEDNESS – Commercial Paper.”

There is no bond reserve fund established by the Indenture to secure the Systemwide Revenue Bonds.

The Systemwide Revenue Bonds do not constitute a liability of or a lien or charge upon the funds or property of the State of California or of the Board, except to the extent of the pledge under the Indenture. The Board has no taxing power.

### **Purposes of the Series 2021 Bonds**

Proceeds of the Series 2021 Bonds will be used for the purposes of financing and refinancing the acquisition, construction, improvement and renovation of certain facilities of CSU. A portion of the proceeds of the Series 2021 Bonds, together with certain other moneys, if applicable, will be applied to refund certain Outstanding Systemwide Revenue Bonds and certain outstanding lease revenue bonds issued by the State Public Works Board of the State of California which financed certain CSU facilities (as more particularly described herein, the “Bonds to be Refunded”) to achieve debt service savings. Selection of the Bonds to be Refunded is at the sole discretion of the Board. Proceeds will also be applied to pay for costs of issuance of the Series 2021 Bonds, including certain costs related to such



refunding and to certain costs of remarketing of the Series 2016B-2 Bonds. See “PLAN OF FINANCE – Refunding Plan,” Appendix A – “CALIFORNIA STATE UNIVERSITY – CSU AND RELATED ENTITY INDEBTEDNESS – Commercial Paper” and Appendix H – “PROJECTS FINANCED AND BONDS REFUNDED WITH SERIES 2021 BONDS.”

### **Capital Financing Authorities**

In July 2014, the State Legislature passed Senate Bill 860 (“SB 860”), which changed the State’s approach to funding non-revenue generating capital facilities at CSU, such as campus infrastructure projects, academic and administrative buildings, and other capital facilities that are essential to the CSU’s operations (collectively, “Academic Facilities”). Historically, the State funded Academic Facilities with proceeds of State Public Works Board of the State of California (the “State Public Works Board”) lease revenue bonds and State general obligation bonds for which, in each case, the State made all debt service payments directly or through appropriations to CSU.

SB 860 provided CSU with the statutory authority to issue bonds to finance Academic Facilities, as well as providing CSU with the ability to pledge additional revenues to support its debt obligations, including but not limited to student tuition. At the same time, SB 860 shifted budgetary responsibility for paying debt service on State Public Works Board lease revenue bonds and State general obligation bonds issued on behalf of CSU from the State to CSU.

As of April 20, 2016, the Tuition Fee, which is the basic enrollment charge paid by all students who attend CSU, was added to “Gross Revenues” pledged under the Indenture to secure all Systemwide Revenue Bonds (including prior issues). Going forward, the Systemwide Financing Program is expected to be the primary long-term financing vehicle for Academic Facilities.

### **Redemption; Tender of Series 2016B-2 Bonds**

The Series 2021 Bonds are subject to optional and mandatory sinking account redemption as described herein. See “THE OFFERED BONDS – Redemption – Series 2021 Bonds.”

The Series 2016B-2 Bonds are subject to optional redemption as described herein. See “THE OFFERED BONDS – Redemption – Series 2016B-2 Bonds.”

The Series 2016B-2 Bonds are also subject to mandatory tender for purchase on the Term Rate Scheduled Mandatory Tender Date or other mandatory tender date selected by the Board which is on or after the Term Rate Call Protection Date. Failure to pay the Purchase Price of all such Series 2016B-2 Bonds tendered on a Term Rate Scheduled Mandatory Tender Date or other mandatory tender date does not constitute an Event of Default under the Indenture. See “THE OFFERED BONDS – Mandatory Tender of Series 2016B-2 Bonds” and Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Provisions Applicable to the Series 2016B-2 Bonds – Mandatory Tender of the Series 2016B-2 Bonds.”

### **Continuing Disclosure**

The Board will covenant for the benefit of the Holders and Beneficial Owners (as defined in the Continuing Disclosure Certificate) of the Series 2021 Bonds to provide certain financial information and operating data relating to the Series 2021 Bonds (the “Annual Report”) not later than the January 1 following the end of the Board’s fiscal year (which fiscal year currently ends June 30), commencing with the report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of the enumerated events will be filed with the Municipal Securities Rulemaking Board. See “CONTINUING DISCLOSURE.” The specific nature of the information to be contained in the Annual Report and in the notices of the enumerated events is set forth in Appendix E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants are made in order to assist the Underwriters of the Series 2021 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Board previously executed a continuing disclosure certificate in respect of the Series 2016B-2 Bonds and will file annual reports and notices of annual events as described therein.

## **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “INTRODUCTION” and Appendix A.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Board does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur, except as described under the caption “CONTINUING DISCLOSURE” and in Appendix E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

## **Certain Information Related to this Official Statement and Remarketing Memorandum**

This Official Statement and Remarketing Memorandum contains brief descriptions of the Offered Bonds, security for the Offered Bonds, the Board, the Bonds to be Refunded, the Continuing Disclosure Certificate to be executed in respect of the Series 2021 Bonds, and the Indenture. General information concerning CSU, including the Systemwide Financing Program, is contained in Appendices A and B. The audited Financial Statements of CSU for the fiscal year ended June 30, 2020 are contained in Appendix C. Gross Revenues and certain other financial information relating to the Systemwide Revenue Bond program are presented in the form of supplemental schedules to the combined financial statements of the Board. The summaries of the Indenture and the Continuing Disclosure Certificate contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Indenture and the Continuing Disclosure Certificate. Copies of the Indenture, the Continuing Disclosure Certificate and other documents referenced herein are available for inspection and for delivery from the Board at the Chancellor’s Office, 401 Golden Shore, 5<sup>th</sup> Floor, Long Beach, California 90802-4210, Attention: Assistant Vice Chancellor, Financing, Treasury and Risk Management.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement and Remarketing Memorandum nor any sale made hereunder nor any future use of this Official Statement and Remarketing Memorandum shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. All financial and other information presented in this Official Statement and Remarketing Memorandum has been provided by the Board from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Capitalized terms used herein which are not otherwise defined have the meanings set forth under the heading Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – CERTAIN DEFINED TERMS.”

## **THE OFFERED BONDS**

### **General**

The Series 2021 Bonds are issued in fully registered form in denominations of \$5,000 and any integral multiple thereof. The Series 2021 Bonds will bear interest from their date of delivery, and will mature on the dates and in the principal amounts set forth on the inside cover page hereof, subject to the rights of prior redemption described herein.

The Series 2016B-2 Bonds are remarketed in fully registered form in denominations of \$5,000 and any integral multiple thereof. The Series 2016B-2 Bonds will bear interest from their date of remarketing, and will mature

on the date and in the principal amount set forth beginning on the inside cover page hereof, subject to the rights of prior redemption described herein.

Interest on the Offered Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2021. Interest shall accrue based on a 360-day year consisting of twelve 30-day months. The record date for the payment of such interest on the Offered Bonds is the close of business on the fifteenth day of the month immediately preceding such interest payment date. As described in Appendix G – “CLEARING SYSTEMS,” principal and interest on the Offered Bonds are payable directly to DTC (defined below) by the State Treasurer. Upon receipt of payments of principal and interest, DTC is to in turn remit such principal and interest to the Direct Participants in DTC for disbursement to the Beneficial Owners of the Offered Bonds.

### **Book Entry Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Offered Bonds. The ownership of one fully registered Offered Bond for each maturity in each series set forth beginning on the inside cover page hereof, in the aggregate principal amount of the Offered Bonds maturing on that date, will be registered in the name of Cede & Co., as nominee of DTC. See Appendix G – “CLEARING SYSTEMS” for a description of DTC and the Book Entry Only System.

### **Redemption – Series 2016B-2 Bonds**

**Series 2016B-2 Bonds—Optional Redemption.** The Series 2016B-2 Bonds are subject to redemption, at the option of the Board, in whole or in part, during the Term Rate Period on the Term Rate Call Protection Date or any Business Day thereafter, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, if any, without premium.

#### **Series 2016B-2 Bonds — Notice of Redemption.**

If DTC or its nominee is the registered owner of any Series 2016B-2 Bond to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such Series 2016B-2 Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any Series 2016B-2 Bond to be redeemed shall not affect the validity of the redemption of such Series 2016B-2 Bond.

Notice of redemption shall be given by mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption, to the respective registered owners of any Series 2016B-2 Bonds designated for redemption at their addresses appearing on the bond registration books of the State Treasurer. Each notice of redemption shall state the date fixed for redemption, the place or places of redemption, and, as further described in the following paragraph, if such funds are not then held by the State Treasurer, that such redemption will be cancelled if the funds are not held by the State Treasurer on the date fixed for redemption, and, if less than all of the Series 2016B-2 Bonds are to be redeemed, the distinctive numbers of the Series 2016B-2 Bonds of such maturity to be redeemed and, in the case of Series 2016B-2 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said Series 2016B-2 Bonds the principal thereof or of said specified portion of the principal thereof, in the case of a Series 2016B-2 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue, and shall require that such Series 2016B-2 Bonds be then surrendered.

With respect to any notice of optional redemption of Series 2016B-2 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the State Treasurer on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of and interest on such Series 2016B-2 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the State Treasurer shall not be required to redeem such Series 2016B-2 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the State Treasurer shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Notice of redemption of Bonds shall be given by the State Treasurer for and on behalf of the Board. Any failure of the State Treasurer to mail notice of redemption of any Series 2016B-2 Bond to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for redemption of any other Series 2016B-2 Bond.

**Selection of Series 2016B-2 Bonds for Redemption.** Whenever provision is made in the Indenture for the redemption of the Series 2016B-2 Bonds or a portion thereof by lot, and less than all of the Series 2016B-2 Bonds of such series or portion thereof are called for redemption, and if the Series 2016B-2 Bonds of such series are in book-entry form at the time of such redemption, the State Treasurer shall provide written notice to DTC in accordance with the Indenture and the DTC Letter of Representations of the Board on file with DTC. If less than all of the Series 2016B-2 Bonds are called for redemption, and any Series 2016B-2 Bonds are not then in book-entry form at the time of such redemption, the State Treasurer shall select the Series 2016B-2 Bonds or any given portion thereof to be redeemed, from the Outstanding Series 2016B-2 Bonds not previously called for redemption, by lot in such manner as the State Treasurer may determine. For the purpose of any such selection, the State Treasurer shall assign a separate number for each minimum Authorized Denomination of each Series 2016B-2 Bond of a denomination of more than such minimum; provided that following any such selection, both the portion of such Series 2016B-2 Bond to be redeemed and the portion remaining shall be in Authorized Denominations.

As described in Appendix G – “CLEARING SYSTEMS,” DTC shall select Series 2016B-2 Bonds for redemption in accordance with its customary practices and procedures and neither the Board nor the State Treasurer shall have any responsibility to ensure that DTC has properly selected such Series 2016B-2 Bonds for redemption.

**Effect of Redemption of Series 2016B-2 Bonds.** Notice of redemption having been duly given as provided in the Indenture, and moneys for payment of the interest accrued to the date fixed for redemption on, the Series 2016B-2 Bonds (or portions thereof) so called for redemption being held by the State Treasurer, on the date fixed for redemption designated in such notice the Series 2016B-2 Bonds (or portions thereof) so called for redemption shall become due and payable at the principal amount specified in such notice and interest accrued thereon to the date fixed for redemption, interest on the Series 2016B-2 Bonds (or portions thereof) so called for redemption shall cease to accrue, said Series 2016B-2 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Series 2016B-2 Bonds shall have no rights in respect thereof except to receive payment of said principal amount and accrued interest.

#### **Mandatory Tender of Series 2016B-2 Bonds**

The Series 2016B-2 Bonds are subject to mandatory tender for purchase at a Purchase Price equal to 100% of the principal amount thereof, plus accrued interest to the Purchase Date, on the Term Rate Scheduled Mandatory Tender Date. Failure to pay the Purchase Price of all such Series 2016B-2 Bonds tendered on the Term Rate Scheduled Mandatory Tender Date does not constitute an Event of Default. The owner of any Series 2016B-2 Bonds subject to mandatory tender may not elect to retain such Series 2016B-2 Bonds and is required to tender such Series 2016B-2 Bond on the related Purchase Date. In the event of a failure to pay the Purchase Price of all of such Series 2016B-2 Bonds tendered for purchase on the Term Rate Scheduled Mandatory Tender Date, a Term Rate Delayed Remarketing Period shall commence on such date as provided in the Indenture.

Following the Term Rate Call Protection Date, the Interest Rate Period for the Series 2016B-2 Bonds may be adjusted to another interest rate period, on any date on which such Series 2016B-2 Bonds are subject to optional redemption as provided above, in which event such Series 2016B-2 Bonds shall be subject to mandatory tender for purchase at the Purchase Price set forth above. **THIS OFFICIAL STATEMENT AND REMARKETING MEMORANDUM IS NOT INTENDED TO AND DOES NOT PROVIDE INFORMATION WITH RESPECT TO THE SERIES 2016B-2 BONDS AFTER ADJUSTMENT TO ANY NEW INTEREST RATE PERIOD.** See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Provisions Applicable to the Series 2016B-2 Bonds – Mandatory Tender of the Series 2016B-2 Bonds.”

#### **Redemption – Series 2021 Bonds**

**Series 2021A Bonds – Optional Redemption.** The Series 2021A Bonds maturing on or before November 1, 2031 are not subject to redemption prior to their respective stated maturities. The Series 2021A Bonds maturing on or after November 1, 2032 are subject to redemption prior to their respective stated maturities, at the option of the Board,

from lawfully available funds deposited in the Optional Redemption Account, as a whole or in part on any date, on or after November 1, 2031 (in such order of maturity as shall be selected by the Board in a written order of the Board filed with the State Treasurer and by lot within a maturity) at a price of the par amount thereof, without premium, together with accrued interest to the date fixed for redemption.

**Series 2021A Bonds – Sinking Account Redemption.** The Series 2021A Bonds maturing on November 1, 2046 are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from Mandatory Sinking Account Payments in the following amounts, commencing on November 1, 2042 according to the following schedule:

**Schedule of Mandatory Sinking Account Payments  
Series 2021A Bonds Maturing November 1, 2046**

| Redemption Date<br>(November 1) | Principal<br>Amount |
|---------------------------------|---------------------|
| 2042                            | \$3,410,000         |
| 2043                            | 3,520,000           |
| 2044                            | 3,625,000           |
| 2045                            | 3,735,000           |
| 2046*                           | 3,855,000           |

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\* Maturity

The Series 2021A Bonds maturing on November 1, 2052 are subject to redemption prior to maturity in part, by lot, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from Mandatory Sinking Account Payments in the following amounts, commencing on November 1, 2047 according to the following schedule:

**Schedule of Mandatory Sinking Account Payments  
Series 2021A Bonds Maturing November 1, 2052**

| Redemption Date<br>(November 1) | Principal<br>Amount |
|---------------------------------|---------------------|
| 2047                            | \$3,960,000         |
| 2048                            | 4,090,000           |
| 2049                            | 4,210,000           |
| 2050                            | 4,335,000           |
| 2051                            | 4,470,000           |
| 2052*                           | 2,280,000           |

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\* Maturity

**Series 2021B Bonds – Optional Redemption at Par.** The Series 2021B Bonds maturing on or before November 1, 2031 are not subject to optional redemption at par prior to their respective stated maturities. Except for the Series 2021B Bonds maturing on November 1, 2052 bearing interest at a rate of 2.719% (the “Series 2021B 2052 2.719% Term Bonds”), the Series 2021B Bonds maturing on or after November 1, 2032 are subject to redemption prior to their respective stated maturities, at the option of the Board, from lawfully available funds deposited in the Optional Redemption Account, as a whole or in part on any date, on or after November 1, 2031 (in such order of maturity as shall be selected by the Board in a written order of the Board filed with the State Treasurer and by pro rata pass-through distribution of principal as described under “– Selection of Series 2021B Bonds for Redemption”) at a price of the par amount thereof, without premium, together with accrued interest to the date fixed for redemption.

**Series 2021B Bonds – Make-Whole Optional Redemption.** From the date of issuance of the Series 2021B Bonds to but not including November 1, 2031, the Series 2021B Bonds, except for the Series 2021B 2052 2.719% Term Bonds, are subject to redemption prior to their respective stated maturities, at the option of the Board, from lawfully available funds deposited in the Optional Redemption Account, as a whole or in part (in such order of maturity

as shall be selected by the Board in a written order of the Board filed with the State Treasurer and by pro rata pass-through distribution of principal as described under “– Selection of Series 2021B Bonds for Redemption” below), on any date, at a redemption price equal to the greater of:

(1) 100% of the principal amount of such Series 2021B Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date or dates of such Series 2021B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2021B Bonds are to be redeemed, discounted to the date on which such Series 2021B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, (i) with respect to the Series 2021B Bonds maturing on November 1, 2022, at the Treasury Rate, plus 0 basis points, (ii) with respect to the Series 2021B Bonds maturing on November 1, 2023 through and including November 1, 2025, at the Treasury Rate, plus 5 basis points, (iii) with respect to the Series 2021B Bonds maturing on November 1, 2026, at the Treasury Rate, plus 10 basis points, (iv) with respect to the Series 2021B Bonds maturing on November 1, 2027, at the Treasury Rate, plus 5 basis points, (v) with respect to the Series 2021B Bonds maturing on November 1, 2028 through and including November 1, 2031, at the Treasury Rate, plus 10 basis points, (vi) with respect to the Series 2021B Bonds maturing on November 1, 2032 through and including November 1, 2034, at the Treasury Rate, plus 15 basis points, (vii) with respect to the Series 2021B Bonds maturing on November 1, 2035 and November 1, 2036, at the Treasury Rate, plus 20 basis points, (viii) with respect to the Series 2021B Bonds maturing on November 1, 2037 through and including November 1, 2044, at the Treasury Rate, plus 15 basis points, and (ix) with respect to the Series 2021B Bonds maturing on November 1, 2052 bearing interest at a rate of 2.939% (the “Series 2021B 2052 2.939% Term Bonds”), at the Treasury Rate, plus 15 basis points,

plus, in each case, accrued interest on such Series 2021B Bonds to be redeemed to the redemption date.

From the date of issuance of the Series 2021B Bonds to but not including November 1, 2052, the Series 2021B 2052 2.719% Term Bonds are subject to redemption prior to their stated maturity, at the option of the Board, from lawfully available funds deposited in the Optional Redemption Account, as a whole or in part (by pro rata pass-through distribution of principal as described under “– Selection of Series 2021B Bonds for Redemption” below), on any date, at a redemption price equal to the greater of:

(1) 100% of the principal amount of such Series 2021B 2052 2.719% Term Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2021B 2052 2.719% Term Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2021B 2052 2.719% Term Bonds are to be redeemed, discounted to the date on which such Series 2021B 2052 2.719% Term Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 15 basis points,

plus, in each case, accrued interest on such Series 2021B 2052 2.719% Term Bonds to be redeemed to the redemption date.

“Treasury Rate” as such term is used in “Series 2021B Bonds – Make-Whole Optional Redemption” above means, with respect to any redemption date for a particular Series 2021B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days (but no more than 45 calendar days) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2021B Bond to be redeemed (taking into account Mandatory Sinking Account Payments, if any); provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

*Calculation of Make-Whole Optional Redemption Price.* At the request of the Board or the State Treasurer, the redemption price of the Series 2021B Bonds to be redeemed at the option of the Board as described in “Series

2021B Bonds – Make-Whole Optional Redemption” above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Board at the Board’s expense to calculate such redemption price. The Board and the State Treasurer may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

**Series 2021B Bonds – Sinking Account Redemption.** The Series 2021B Bonds maturing on November 1, 2041 are subject to redemption prior to maturity in part, by pro rata pass-through distribution of principal, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from Mandatory Sinking Account Payments in the following amounts, commencing on November 1, 2039 according to the following schedule:

**Schedule of Mandatory Sinking Account Payments  
Series 2021B Bonds Maturing November 1, 2041**

| Redemption Date<br><u>(November 1)</u> | Principal<br><u>Amount</u> |
|--|----------------------------|
| 2039                                   | \$46,970,000               |
| 2040                                   | 48,300,000                 |
| 2041*                                  | 49,670,000                 |

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\* Maturity

The Series 2021B Bonds maturing on November 1, 2044 are subject to redemption prior to maturity in part, by pro rata pass-through distribution of principal, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from Mandatory Sinking Account Payments in the following amounts, commencing on November 1, 2040 according to the following schedule:

**Schedule of Mandatory Sinking Account Payments  
Series 2021B Bonds Maturing November 1, 2044**

| Redemption Date<br><u>(November 1)</u> | Principal<br><u>Amount</u> |
|--|----------------------------|
| 2040                                   | \$15,180,000               |
| 2041                                   | 15,610,000                 |
| 2042                                   | 16,050,000                 |
| 2043                                   | 16,530,000                 |
| 2044*                                  | 14,935,000                 |

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\* Maturity

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The Series 2021B 2052 2.939% Term Bonds are subject to redemption prior to maturity in part, by pro rata pass-through distribution of principal, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from Mandatory Sinking Account Payments in the following amounts, commencing on November 1, 2042 according to the following schedule:

**Schedule of Mandatory Sinking Account Payments  
Series 2021B 2052 2.939% Term Bonds**

| Redemption Date<br>(November 1) | Principal<br>Amount |
|---------------------------------|---------------------|
| 2042                            | \$25,430,000        |
| 2043                            | 26,180,000          |
| 2044                            | 26,970,000          |
| 2045                            | 27,775,000          |
| 2046                            | 28,610,000          |
| 2047                            | 29,455,000          |
| 2048                            | 30,340,000          |
| 2049                            | 31,240,000          |
| 2050                            | 32,180,000          |
| 2051                            | 33,140,000          |
| 2052*                           | 34,130,000          |

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\* Maturity

The Series 2021B 2052 2.719% Term Bonds are subject to redemption prior to maturity in part, by pro rata pass-through distribution of principal, at the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, from Mandatory Sinking Account Payments in the following amounts, commencing on November 1, 2042 according to the following schedule:

**Schedule of Mandatory Sinking Account Payments  
Series 2021B 2052 2.719% Term Bonds**

| Redemption Date<br>(November 1) | Principal<br>Amount |
|---------------------------------|---------------------|
| 2042                            | \$25,655,000        |
| 2043                            | 26,365,000          |
| 2044                            | 27,090,000          |
| 2045                            | 27,835,000          |
| 2046                            | 28,600,000          |
| 2047                            | 29,390,000          |
| 2048                            | 30,195,000          |
| 2049                            | 31,030,000          |
| 2050                            | 31,880,000          |
| 2051                            | 32,760,000          |
| 2052*                           | 33,660,000          |

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\* Maturity

**Series 2021 Bonds – Notice of Redemption.** If DTC or its nominee is the registered owner of any Series 2021 Bond to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such Series 2021 Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any Series 2021 Bond to be redeemed shall not affect the validity of the redemption of such Series 2021 Bond.

Notice of redemption shall be given by mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption, to the respective registered owners of any Series 2021 Bonds designated for redemption at their addresses appearing on the bond registration books of the State Treasurer. Each notice of



redemption shall state the date fixed for redemption, the place or places of redemption, and, as further described in the following paragraph, if such funds are not then held by the State Treasurer, that such redemption will be cancelled if the funds are not held by the State Treasurer on the date fixed for redemption, the maturities, and, if less than all of any such maturity, the distinctive numbers of the Series 2021 Bonds of such maturity, to be redeemed and, in the case of Series 2021 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall also state that on said date there will become due and payable on each of said Series 2021 Bonds the principal thereof or of said specified portion of the principal thereof, in the case of a Series 2021 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue, and shall require that such Series 2021 Bonds be then surrendered.

With respect to any notice of optional redemption of Series 2021 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the State Treasurer on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Series 2021 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the State Treasurer shall not be required to redeem such Series 2021 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the State Treasurer shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Notice of redemption of Bonds shall be given by the State Treasurer for and on behalf of the Board. Any failure of the State Treasurer to mail notice of redemption of any Series 2021 Bond to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for redemption of any other Series 2021 Bond.

**Selection of Series 2021A Bonds for Redemption.** Under the Indenture, the Series 2021A Bonds that are subject to optional redemption may be selected for such redemption in such amounts and order of maturity or Mandatory Sinking Account Payment of Outstanding Series 2021A Bonds as shall be selected by the Board. Whenever provision is made in the Indenture for the redemption of the Series 2021A Bonds or a portion thereof by lot, and less than all of the Series 2021A Bonds or portion thereof are called for redemption, and if the Series 2021A Bonds are in book-entry form at the time of such redemption, the State Treasurer shall provide written notice to DTC in accordance with the Indenture and the DTC Letter of Representations of the Board on file with DTC. Notwithstanding the foregoing, if the Series 2021A Bonds of any maturity are to be redeemed prior to maturity and if the Series 2021A Bonds are not then in book-entry form at the time of such redemption, on each redemption date, the State Treasurer shall select the Series 2021A Bonds to be redeemed, from the Outstanding Series 2021A Bonds or portion thereof not previously called for redemption, by lot in any manner which the State Treasurer in the State Treasurer's sole discretion shall deem appropriate and fair.

**Selection of Series 2021B Bonds for Redemption.** Under the Indenture, the Series 2021B Bonds that are subject to optional redemption may be selected for such redemption in such amounts and order of maturity or maturities of Outstanding Series 2021B Bonds as shall be selected by the Board and filed with the State Treasurer. If less than all of a Series 2021B Term Bond is called for optional redemption, the remaining Mandatory Sinking Account Payments for such Term Bond will be reduced pro rata.

If the Series 2021B Bonds are in book-entry form at the time of such redemption, the State Treasurer shall provide written notice to DTC in accordance with the Indenture. The particular Series 2021B Bonds within a maturity to be redeemed shall be redeemed on a "Pro-Rata Pass-Through Distribution of Principal" basis in accordance with the operational arrangements of DTC then in effect. The Underwriters have advised the State Treasurer and the Board that the Series 2021B Bonds will be made eligible for "pro rata pass through distribution of principal" for partial redemptions by DTC in accordance with its rules and procedures. The State Treasurer will send notice to DTC in accordance with such rules and procedures to effect a pro rata reduction of principal of all affected outstanding Series 2021B Bonds to accomplish the optional and mandatory sinking account redemptions described above using a pass-through distribution of principal. In connection with each such redemption, the State Treasurer will include in the written notice of redemption described above the dollar amount per \$1,000 principal amount payable on account of principal and accrued interest to effect a pro rata reduction through a pass-through distribution of principal on the related redemption date. DTC will be responsible for distributing the principal and accrued interest among its Direct Participants, as applicable, in accordance with its rules and procedures for a pro rata pass-through distribution of principal based upon the beneficial interest in the Series 2021B Bonds being redeemed that DTC records list as owned

by each DTC Direct Participant as of the record date for such payment. If less than all of the Series 2021B Bonds are called for optional redemption or Mandatory Sinking Account Payments, the State Treasurer will direct that the accrued interest due on the Series 2021B Bonds being redeemed be calculated and paid based on the amount of principal being redeemed. After the date fixed for redemption no further interest will accrue on the principal amount being called for redemption.

Notwithstanding the foregoing, if less than all of the Series 2021B Bonds of any maturity are to be redeemed prior to maturity and if the Series 2021B Bonds are not then in book-entry form at the time of such redemption, on each redemption date, the State Treasurer shall select the specific Series 2021B Bonds for redemption on a pro rata basis from such maturity or Mandatory Sinking Account Payment within such maturity of Outstanding Series 2021B Bonds. The portion of any Series 2021B Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof. The State Treasurer will select such portions of Series 2021B Bonds to be redeemed on a pro rata basis from each maturity or Mandatory Sinking Account Payment of Outstanding Series 2021B Bonds, as the State Treasurer in the State Treasurer's discretion may deem to be fair and appropriate.

**Applicability of DTC Procedures.** As described in Appendix G – “CLEARING SYSTEMS,” DTC shall select Series 2021 Bonds for redemption in accordance with its customary practices and procedures and neither the Board nor the State Treasurer shall have any responsibility to ensure that DTC has properly selected such Series 2021 Bonds for redemption.

Appendix J — “PRINCIPAL PAYDOWN FACTOR TABLE — PRO-RATA PASS-THROUGH DISTRIBUTION OF PRINCIPAL” reflects scheduled Mandatory Sinking Account Payments in respect of the Series 2021B Bonds and the factors applicable to such redemption amounts and remaining balances. The information presented therein is provided for illustrative purposes only and is subject to adjustment without notice in the event of certain optional redemptions or purchases of Series 2021B Bonds, and as may be necessary to comply with the operational arrangements of DTC (or any successor securities depository) in effect on the date of any redemption related to such Mandatory Sinking Account Payments. No assurance can be given that DTC (or any successor securities depository) will allocate any such redemption of the Series 2021B Bonds on such basis.

**Effect of Redemption of Series 2021 Bonds.** Notice of redemption having been duly given as provided in the Indenture, and moneys for payment of the interest accrued to the date fixed for redemption on the Series 2021 Bonds (or portions thereof) so called for redemption being held by the State Treasurer, on the date fixed for redemption designated in such notice the Series 2021 Bonds (or portions thereof) so called for redemption shall become due and payable at the principal amount specified in such notice and interest accrued thereon to the date fixed for redemption, interest on the Series 2021 Bonds (or portions thereof) so called for redemption shall cease to accrue, said Series 2021 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Series 2021 Bonds shall have no rights in respect thereof except to receive payment of said principal amount and accrued interest.

## **Defeasance**

The Indenture provides that Offered Bonds may be paid by the Board (i) by paying or causing to be paid the principal and interest on Outstanding Offered Bonds as and when the same become due and payable; (ii) by depositing with the State Treasurer, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Outstanding Offered Bonds; or (iii) by delivering to the State Treasurer, for cancellation by it, Outstanding Offered Bonds, provided in each case that the Board also pays or causes to be paid any other sums payable under the Indenture by the Board related to the Offered Bonds. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance.”

## **SECURITY FOR THE OFFERED BONDS**

### **Limited Obligations**

As described in this section, the Offered Bonds are limited obligations of the Board, payable from Gross Revenues and other amounts pledged under the Indenture. The Offered Bonds will not constitute a liability of or a lien

upon the funds or property of the State of California or of the Board, except to the extent of the aforementioned pledge under the Indenture. The Board has no taxing power.

## **Pledge**

The Series 2021 Bonds, together with all other Systemwide Revenue Bonds issued and outstanding under the Indenture (including the outstanding Series 2016B-2 Bonds), will be secured solely by the Gross Revenues and other amounts pledged under the Indenture. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Pledge and Assignment; Gross Revenue Fund; Revenue Fund.”

**Gross Revenues.** As defined in the Indenture, Gross Revenues means (i) all income, rentals, fees, rates, charges, insurance proceeds, condemnation proceeds and other moneys derived from the ownership or operation of the Projects, but excluding any refundable deposits, fines or forfeitures or operating revenues from student unions or student centers that are not mandatory student center fees, and (ii) any other revenues, receipts, income or other moneys from time to time designated by the Board for the payment of principal of and interest on the Systemwide Revenue Bonds. As of April 20, 2016, the Tuition Fee (previously known as the State University Fee), which is the basic enrollment charge paid by all students who attend CSU, was designated by the Board as additional Gross Revenues under the Indenture.

The term “Projects,” as defined in the Indenture, means, on any given date, (i) all of the housing, parking, student union, student center, student health center and continuing education facilities owned or operated by the Board and (ii) any other facilities designated by the Board as Projects under the Indenture in a Certificate of the Board filed with the State Treasurer, except in all cases the Excluded Facilities. In 2015, the Board began designating certain Academic Facilities as Projects under the Indenture.

“Excluded Facilities” means any facilities which may be designated from time to time by the Board as Excluded Facilities in a Certificate of the Board which is filed with the State Treasurer. There are currently no Excluded Facilities. See “THE PROJECTS – Excluded Facilities.” As more fully described below under the caption “– Rate Covenant,” the Board has covenanted in the Indenture to set rates, charges and fees for Projects at levels necessary to meet debt service obligations of the Systemwide Revenue Bonds.

Gross Revenues consist primarily of mandatory and user fees collected from students attending CSU campuses and the Tuition Fee. For a description of the fees and certain other amounts constituting Gross Revenues, their method of collection and recent historical collections, see Appendix A – “CALIFORNIA STATE UNIVERSITY – SYSTEMWIDE REVENUE BOND PROGRAMS” and “– FINANCIAL INFORMATION RELATED TO SYSTEMWIDE REVENUES.”

Prior to the occurrence of an Event of Default under the Indenture, amounts in the Gross Revenue Fund may be used and withdrawn by the Board at any time for any lawful purpose. In the case of an Event of Default, amounts in the Gross Revenue Fund will be used to pay certain expenses, including Maintenance and Operating Expenses with respect to Projects, before payment of debt service on the Systemwide Revenue Bonds, all as further described in Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Pledge and Assignment; Gross Revenue Fund; Revenue Fund” and “– Application of Gross Revenues and Other Funds After Default.”

## **Rate Covenant**

The Board has covenanted in the Indenture to set rates, charges, and fees for the Projects for the then current Fiscal Year so as to cause Net Income Available for Debt Service to be in an amount at least equal to Aggregate Debt Service for all Indebtedness and Designated Auxiliary Debt for such Fiscal Year. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Particular Covenants of the Board of Trustees.”

The annual debt service on the Systemwide Revenue Bonds is set forth in Table 9 in Appendix A. The Gross Revenues for the five fiscal years ended June 30, 2020 are summarized by program element in Table 8 in Appendix A. See Appendix A – “CALIFORNIA STATE UNIVERSITY – FINANCIAL INFORMATION RELATED TO SYSTEMWIDE REVENUES” and Appendix C – “AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2020.”

**Parity Lien Indebtedness; No Senior Lien Indebtedness**

Pursuant to the Indenture, the Board may from time to time issue additional series of Systemwide Revenue Bonds to provide funds to pay the costs of acquiring, constructing, financing and refinancing the Projects as determined by the Board and in accordance with the requirements of the Indenture, including the requirements for issuing or incurring Indebtedness secured by a Parity Lien described in the next paragraph. The maximum principal amount of Systemwide Revenue Bonds that may be issued under the Indenture is not limited.

In addition, so long as no Event of Default has occurred or is continuing under the Indenture, the Board may issue or incur Indebtedness secured by a Parity Lien if there is filed with the State Treasurer a Certificate of the Board confirming its expectation that, for the first full Fiscal Year following the date the Project financed or refinanced with the proceeds of such Indebtedness secured by a Parity Lien is placed in service, Net Income Available for Debt Service for such Fiscal Year shall be in an amount at least equal to Aggregate Debt Service for such Fiscal Year on all Indebtedness secured by a Parity Lien and Designated Auxiliary Debt. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Particular Covenants of the Board of Trustees.”

The Indenture does not limit the power of the Board to issue or incur (a) any Indebtedness secured by a Subordinate Lien; or (b) any Indebtedness which is not secured by any pledge, lien or encumbrance on Gross Revenues. There is no outstanding Indebtedness of the Board secured by a Senior Lien, and the Board has covenanted in the Indenture that it will not incur Indebtedness secured by a Senior Lien.

**ESTIMATED SOURCES AND USES OF FUNDS FOR SERIES 2021 BONDS**

**SOURCES**

|                                 | <b>Series 2021A<br/>Bonds</b> | <b>Series 2021B<br/>Bonds</b> | <b>Total</b>              |
|---------------------------------|-------------------------------|-------------------------------|---------------------------|
| Principal Amount of Bonds ..... | \$124,235,000.00              | \$1,664,085,000.00            | \$1,788,320,000.00        |
| Original Issue Premium.....     | <u>19,457,598.60</u>          | <u>--</u>                     | <u>19,457,598.60</u>      |
| Total Sources of Funds.....     | <u>\$143,692,598.60</u>       | <u>\$1,664,085,000.00</u>     | <u>\$1,807,777,598.60</u> |

**USES**

|  |                         |                           |                           |
|--|-------------------------|---------------------------|---------------------------|
| Series 2021 Project Accounts <sup>(1)</sup>        | \$ 98,929,257.94        | \$ 816,093,950.02         | \$ 915,023,207.96         |
| Series 2021 Capitalized Interest Accounts.....     | 2,919,859.94            | 3,246,267.80              | 6,166,127.74              |
| Escrow Fund <sup>(2)</sup> .....                   | 41,458,676.49           | 839,292,559.39            | 880,751,235.88            |
| Series 2021 Costs of Issuance <sup>(3)</sup> ..... | <u>384,804.23</u>       | <u>5,452,222.79</u>       | <u>5,837,027.02</u>       |
| Total Uses of Funds.....                           | <u>\$143,692,598.60</u> | <u>\$1,664,085,000.00</u> | <u>\$1,807,777,598.60</u> |

(1) Moneys in each Series 2021 Project Account will be used to pay costs of financing and refinancing the Series 2021A Projects and the Series 2021B Projects, respectively, listed in Appendix H.

(2) Proceeds of the Series 2021 Bonds deposited into the Escrow Fund will be used to defease or repay the Bonds to be Refunded listed in Appendix H.

(3) Includes Underwriters’ discount and fees and costs of Bond Counsel, Disclosure Counsel and the State Treasurer and rating agency fees and municipal advisor fees.

**PLAN OF FINANCE**

**Projects Financed by Series 2021 Bonds**

The Series 2021 Bonds are being issued to finance and refinance the acquisition, construction, renovation and improvement of certain facilities of the CSU. See “THE PROJECTS” below and Appendix H – “PROJECTS FINANCED AND BONDS REFUNDED WITH SERIES 2021 BONDS” for more information on the projects expected to be financed with proceeds of the Series 2021 Bonds.

## **Refunding Plan**

A portion of the proceeds of the Series 2021A Bonds will be used to refund certain outstanding State Public Works Board of the State of California Lease Revenue Bonds and a portion of the proceeds of the Series 2021B Bonds will be used to refund certain outstanding Systemwide Revenue Bonds (collectively, the “Bonds to be Refunded”). See Appendix H – “PROJECTS FINANCED AND BONDS REFUNDED WITH SERIES 2021 BONDS.” To refund the Bonds to be Refunded, a portion of the proceeds of the Series 2021 Bonds together with certain moneys held in connection with certain of the Bonds to be Refunded, if applicable, will be deposited with the State Treasurer, as trustee for the Bonds to be Refunded, and as escrow agent (as applicable, the “Escrow Agent”), in escrow funds created pursuant to related escrow agreements, to be executed and delivered not later than the date of issuance of the Series 2021 Bonds, between the Escrow Agent and the State Public Works Board (in respect of the refunding of the bonds of the State Public Works Board) or between the Escrow Agent and the Board (in respect of the refunding of the prior Systemwide Revenue Bonds). The money so deposited will include a small amount held as cash, uninvested, with the balance used to purchase defeasance securities as and to the extent permitted under the Indenture and the authorizing documents for the bonds of the State Public Works Board, as applicable, the principal of and interest on which (together with the uninvested cash portion) will be sufficient to pay the principal of and interest on the related Bonds to be Refunded to and including their maturity date or earlier redemption date, all as shown in Appendix H. Upon such deposit and provision for any required redemption notice, the Bonds to be Refunded will no longer be deemed to be outstanding and will have been defeased in accordance with their respective terms, and the holders of Bonds to be Refunded will thereafter be entitled to payment only from the uninvested cash, if any, and the proceeds of the defeasance securities on deposit within the applicable escrow fund established for such Bonds to be Refunded. The cash flow adequacy of the escrow funds will be verified by the certified public accounting firm of Causey Demgen & Moore P.C. See Appendix H – “PROJECTS FINANCED AND BONDS REFUNDED WITH SERIES 2021 BONDS.”

## **Remarketing of the Series 2016B-2 Bonds**

The Board is remarketing the Series 2016B-2 Bonds in connection with an adjustment in the interest rate period for the Series 2016B-2 Bonds to a new interest rate period. Pursuant to the Twenty-Second Supplemental Indenture, dated as of April 1, 2016 (the “Twenty-Second Supplemental Indenture”), between the Board and the State Treasurer, which authorized the issuance of the Series 2016B-2 Bonds, all of the Holders of the Series 2016B-2 Bonds will be required to tender their respective Series 2016B-2 Bonds for purchase on July 29, 2021 (the “Remarketing Date”). The remarketing will only occur if sufficient remarketing proceeds are available to pay on the Remarketing Date the portion of the purchase price consisting of the principal of all the Series 2016B-2 Bonds. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Provisions Applicable to the Series 2016B-2 Bonds – Mandatory Tender of the Series 2016B-2 Bonds.” On the Remarketing Date, the Board will use the proceeds of the remarketing of the Series 2016B-2 Bonds to pay the portion of the purchase price consisting of principal of the Series 2016B-2 Bonds and other legally available funds of the Board to pay the portion of the purchase price constituting interest accrued on the Series 2016B-2 Bonds. Under the terms of the Twenty-Second Supplemental Indenture the Board may rescind this mandatory tender for purchase at any time before the Remarketing Date.

## **THE PROJECTS**

### **General Description**

Gross Revenues consist primarily of revenues derived directly from Projects, as more fully described below, and the Tuition Fee.

Projects that contribute toward Gross Revenues include (i) all housing, student union, parking, recreation centers, student health and professional and continuing education facilities owned or operated by the Board, and (ii) other facilities designated by the Board, except, in all cases, facilities designated by the Board as Excluded Facilities. The current Projects are located at all 23 campuses of CSU and there are currently no Excluded Facilities. Some Projects, such as Academic Facilities, do not independently generate revenues. All Projects are owned by the Board and are operated by CSU or an auxiliary organization. Projects are generally described as follows:

**Student Housing:** Twenty-two of the 23 campuses comprising the CSU system operate, and collect revenues from, the operation of housing facilities under the State University Revenue Bond Act of 1947. Operational capacity by campus is set forth in Appendix C – “AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2020 –Supplementary Information – Schedule 6.”

**Student Union:** Twenty-two of the 23 campuses in the CSU system operated student union facilities and collected student body center fees.

**Parking:** All 23 campuses operate parking lots and/or structures to accommodate students, faculty, staff and visitors. Establishment of parking rates is delegated by the Board to the Chancellor, who further delegates the authority to each respective campus president.

**Student Health Facilities:** Twenty-two of the 23 campuses in the CSU system operate student health facilities and collect a health center facility fee.

**Professional and Continuing Education (PaCE) Facilities (formerly Extended and Continuing Education Facilities):** On each of the CSU campuses, CSU offers a variety of PaCE programs including credit degree and certificate programs, off-campus and online programs, professional development, corporate training and programs for international students. Each student enrolling in a continuing education class pays a fee per class collected at the time of registration.

**Academic Facilities:** All 23 CSU campuses include, as part of their physical plant, non-revenue generating facilities such as campus infrastructure, academic buildings, administrative buildings, and other capital assets that are essential to the CSU’s operations. Certain of these facilities constitute “Projects” under the Indenture, but these Projects do not typically generate revenue independently.

**Facilities of Certain Auxiliary Organizations and Other Entities:** From time to time certain facilities serving CSU are owned, operated or financed with the participation of an auxiliary organization or a special purpose governmental unit. See Appendix A – “CALIFORNIA STATE UNIVERSITY – GOVERNANCE AND ADMINISTRATION – Campus Administration” and “SYSTEMWIDE REVENUE BOND PROGRAMS – Auxiliary Organizations Program and Other Entities.” These facilities may include, but are not limited to, the types of facilities described in Appendix A. In certain cases, a facility financed or refinanced by the Board with Systemwide Revenue Bonds may be leased from the Board, as lessor, to an auxiliary organization or governmental unit, as lessee. Under the terms of the lease, the lessee will agree to operate the facility and to make certain rental payments to the Board which will constitute a portion of the Gross Revenues securing the Systemwide Revenue Bonds. In other cases, the Board may loan proceeds of Systemwide Revenue Bonds to an auxiliary organization to pay for the costs of acquiring or constructing such facilities and such auxiliary organizations will agree to make loan payments to the Board which will constitute Gross Revenues under the Indenture. At the time the lease or loan is entered into, certain lessees or borrowers may have outstanding debt and the obligation to make payments to the Board under the lease or loan may be on a parity with, or junior and subordinate to, such debt of the lessee or borrower. In addition, for certain auxiliary organizations, their debt and revenues may be designated by the Board pursuant to the Indenture as Designated Auxiliary Organizations, Designated Auxiliary Revenues and Designated Auxiliary Debt, respectively, and treated accordingly for purposes of the rate covenant and the additional borrowing test under the Indenture. See “SECURITY FOR THE OFFERED BONDS – Rate Covenant” and “– Parity Lien Indebtedness; No Senior Lien Indebtedness” and Appendix A – “CALIFORNIA STATE UNIVERSITY – SYSTEMWIDE REVENUE BOND PROGRAMS – Auxiliary Organizations Program and Other Entities.” There are currently 17 auxiliary organizations that are Designated Auxiliary Organizations with Designated Auxiliary Revenues and Designated Auxiliary Debt, the same 17 auxiliary organizations that make loan or lease payments that have been designated as Gross Revenues by the Board.

For information on certain approval procedures, the acquisition and construction process and the operation and maintenance of the Projects, see Appendix A – “CALIFORNIA STATE UNIVERSITY—SYSTEMWIDE REVENUE BOND PROGRAMS.”

## **Excluded Facilities**

Under the Indenture, the Board may, at any time, and without the consent of owners of Bonds issued under the Indenture, including the owners of Offered Bonds, designate any existing or future facilities as Excluded Facilities, with the effect that the revenues derived from such Excluded Facilities do not constitute a part of the Gross Revenues. Certain facilities operated by the Board, because they were not a part of the facilities that provide funds for repayment of the Board's debt programs, have been designated in the past as Excluded Facilities; however, the Board adopted a policy in March 2002 that restricts the Board's ability to designate Excluded Facilities. While there are currently no Excluded Facilities, this may change in the future from time to time at the discretion of the Board. As more fully described above under the heading "SECURITY FOR THE OFFERED BONDS—Rate Covenant," the Board has covenanted to set rates, charges and fees for Projects at levels necessary to generate Gross Revenues sufficient to meet debt service obligations of the Systemwide Revenue Bonds.

## **Effect of Damage to or Loss of Projects**

Damage to or destruction of one or more Projects as a result of seismic or other events could result in a reduction in the Gross Revenues collected, and a major disaster could have a material adverse effect on the ability of CSU to collect sufficient Gross Revenues.

Under the Indenture, CSU is required to maintain property and casualty insurance in such amounts and against such risks as are appropriate, as determined by the Board, for facilities of similar size and nature as the Projects, in the event and to the extent that such insurance is customarily maintained by the Board for facilities of similar size and nature as the Projects. See Appendix A—"CALIFORNIA STATE UNIVERSITY—OTHER MATTERS—Insurance" for a description of the insurance currently maintained by CSU and Appendix D—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Particular Covenants of the Board of Trustees." Notwithstanding this insurance program, losses could be incurred due to uninsured events or damage in excess of any coverage then in effect. CSU does not currently insure the Projects against risk of loss due to earthquakes.

## **COVID-19**

On March 4, 2020, the Governor of the State declared a state of emergency to help the State prepare and respond to a new disease commonly known as COVID-19 caused by a novel strain of coronavirus, and on March 19, 2020, the Governor issued a statewide order directing all residents of the State to stay home in an effort to curtail person-to-person transmission of the virus, except as needed to maintain certain essential functions during the State's COVID-19 response. In mid-March 2020, in response to the rapidly emerging COVID-19 pandemic, CSU transitioned courses, academic support, and student services to a virtual mode on a campus-by-campus basis for the remainder of the academic term. In addition, on May 12, 2020, CSU announced plans to continue to deliver courses virtually for the fall 2020 term, with limited exceptions for modified in-person educational activities that could not be undertaken virtually. Following the issuance of the original stay-at-home order, the State took a phased approach to permit gradual, limited reopening of certain businesses and activities on a county-by-county basis, subject to conditions. Effective June 15, 2021, the county-by-county tier system has been eliminated and all sectors of the economy within the State were permitted to return to normal operations, with exceptions for large events with greater than 5,000 attendees indoors or 10,000 attendees outdoors, and exceptions for mask requirements in particular settings, such as public transportation.

In 2020, COVID-19 negatively impacted the State's financial resources, which resulted in diminished State funding for higher education, including for CSU, in the State budget. In addition, the transition of campus operations from in-person to virtual instruction and other COVID-19 impacts on campuses and throughout the system generated new expenses for CSU, caused vacancies in housing facilities, lowered the demand for parking and resulted in lost revenue. For information about the State budget, see Appendix A – "GENERAL CSU FINANCIAL INFORMATION – State Budget for Fiscal Year 2020-21." For additional information about certain COVID-19 impacts on CSU, including certain litigation, see Appendix A – "OTHER MATTERS – COVID-19 Developments."

## TAX MATTERS

### Series 2021A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2021A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expects to deliver an opinion at the time of issuance of the Series 2021A Bonds substantially in the form set forth in Appendix F-1 hereto.

To the extent the issue price of any maturity of the Series 2021A Bonds is less than the amount to be paid at maturity of such Series 2021A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2021A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2021A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2021A Bonds is the first price at which a substantial amount of such maturity of the Series 2021A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2021A Bonds accrues daily over the term to maturity of such Series 2021A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2021A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2021A Bonds. Beneficial Owners of the Series 2021A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2021A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2021A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2021A Bonds is sold to the public.

Series 2021A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2021A Bonds. The Board has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2021A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2021A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2021A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2021A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2021A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2021A Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences



depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2021A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2021A Bonds. Prospective purchasers of the Series 2021A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2021A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Board, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Board has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2021A Bonds ends with the issuance of the Series 2021A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the Beneficial Owners regarding the tax exempt status of the Series 2021A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Board and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Board legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2021A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series 2021A Bonds, and may cause the Board or the Beneficial Owners to incur significant expense.

### **Series 2021B Bonds**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2021B Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2021B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2021B Bonds. Bond Counsel expects to deliver an opinion at the time of issuance of the Series 2021B Bonds substantially in the form set forth in Appendix F-1 hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2021B Bonds that acquire their Series 2021B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2021B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2021B Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2021B Bonds pursuant to this offering for the issue

price that is applicable to such Series 2021B Bonds (i.e., the price at which a substantial amount of the Series 2021B Bonds are sold to the public) and who will hold their Series 2021B Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a Beneficial Owner of a Series 2021B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a Beneficial Owner of a Series 2021B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2021B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2021B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2021B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Series 2021B Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2021B Bonds in light of their particular circumstances.

### **U.S. Holders**

*Interest.* Interest on the Series 2021B Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2021B Bonds is less than the amount to be paid at maturity of such Series 2021B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2021B Bonds) by more than a de minimis amount, the difference may constitute original issue discount (“OID”). U.S. Holders of Series 2021B Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2021B Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2021B Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2021B Bond.

*Sale or Other Taxable Disposition of the Series 2021B Bonds.* Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Board) or other disposition of a Series 2021B Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2021B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2021B Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder’s adjusted U.S. federal income tax basis in the Series 2021B Bond (generally, the purchase price paid by the U.S. Holder for the Series 2021B Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2021B Bond). Any such gain or loss generally will be capital gain or

loss. In the case of a non-corporate U.S. Holder of the Series 2021B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2021B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

*Defeasance of the Series 2021B Bonds.* If the Board defeases any Series 2021B Bond, the Series 2021B Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Series 2021B Bond.

*Information Reporting and Backup Withholding.* Payments on the Series 2021B Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2021B Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Series 2021B Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2021B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

#### **Non-U.S. Holders**

*Interest.* Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Series 2021B Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Board through stock ownership and (2) a bank which acquires such Series 2021B Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the Beneficial Owner of the Series 2021B Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

*Disposition of the Series 2021B Bonds.* Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Board or a deemed retirement due to defeasance of the Series 2021B Bond) or other disposition of a Series 2021B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Board) or other disposition and certain other conditions are met.

*U.S. Federal Estate Tax.* A Series 2021B Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Series 2021B Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

*Information Reporting and Backup Withholding.* Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Series 2021B Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the Beneficial Owner of the Series 2021B Bond or a financial institution holding the Series 2021B Bond on behalf of the

Beneficial Owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a Beneficial Owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

#### **Foreign Account Tax Compliance Act (“FATCA”)—U.S. Holders and Non-U.S. Holders**

Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Series 2021B Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2021B Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2021B Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

#### **Series 2016B-2 Bonds**

On April 20, 2016, the date of original issuance of the Series 2016B-2 Bonds, Bond Counsel delivered its opinion (the “Series 2016B-2 Opinion”) to the effect based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2016B-2 Bonds is excluded from gross income for federal income tax purposes under the Code, and is exempt from State of California personal income taxes. Bond Counsel expressed the further opinion that interest on the Series 2016B-2 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Effective January 1, 2018, the corporate alternative minimum tax has been repealed. A complete copy of the Series 2016B-2 Opinion is set forth in Appendix F-2 hereto.

On the Remarketing Date, Bond Counsel expects to deliver its opinion to the Board (the “Series 2016B-2 Remarketing Opinion”) substantially to the effect that the adjustment to a new Term Rate Period will not, in and of itself, affect any exclusion from gross income for federal income tax purposes of the interest on the Series 2016B-2 Bonds.

#### **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance, sale and delivery by the Board of the Series 2021 Bonds and with regard to the tax status of interest on the Series 2021 Bonds under existing laws are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, will provide certain other legal services for the Board. The form of opinion Bond Counsel proposes to render with respect to the Series 2021 Bonds is attached as Appendix F-1 hereto. On April 20, 2016, the date of original

issuance of the Series 2016B-2 Bonds, Bond Counsel delivered its opinion, a copy of which is set forth in Appendix F-2 hereto.

### **CONTINUING DISCLOSURE**

The Board will covenant for the benefit of the Holders and Beneficial Owners (as defined in the Continuing Disclosure Certificate) of the Series 2021 Bonds to provide certain financial information and operating data relating to CSU by not later than January 1 following the end of CSU's fiscal year (which fiscal year as of the date hereof ends June 30) (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed directly with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and in the notices of enumerated events is summarized in Appendix E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." Pursuant to the Indenture, failure of the Board to comply with its obligations under the Continuing Disclosure Certificate will not be considered an event of default under the Indenture. However, the Trustee and any Holder or Beneficial Owner (as defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board to comply with its obligations under the Continuing Disclosure Certificate. The Board previously executed a continuing disclosure certificate in respect of the Series 2016B-2 Bonds.

In the previous five years, the Board has complied in all material respects with all previous undertakings with regard to providing the Annual Reports and notices of enumerated events in accordance with Rule 15c2-12 of the Securities and Exchange Commission.

### **LEGALITY FOR INVESTMENT**

Under provisions of the Act, the Offered Bonds are legal investments in California for commercial and savings banks, all trust funds, for the funds of all insurance companies, trust companies, and for State school funds. Any moneys or funds which may by law be invested in bonds of a county, municipality or school district may be invested in the Offered Bonds, and the Offered Bonds may also be used as security for the deposit of public moneys in banks in California.

### **LITIGATION**

There is no litigation of any nature pending against the Board (with service of process on the Board having been accomplished) as of the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the Series 2021 Bonds or the remarketing of the Series 2016B-2 Bonds, or in any way contesting or affecting the validity of the Offered Bonds or the security thereof, or any proceedings of the Board taken with respect to the issuance, sale or remarketing thereof, as applicable. At the time of delivery of the Series 2021 Bonds, the Board expects to furnish a certificate to the effect that no such litigation is then pending.

At any given time, including the present, there are certain other claims and disputes, including those currently in litigation, that arise in the normal course of CSU's activities. Such matters could, if determined adversely to the Board, affect expenditures by the Board, and in some cases, its Gross Revenues. The Board and its General Counsel are of the opinion that no pending actions are likely to have a material adverse effect on the Board's ability to pay the principal of, premium, if any, and interest on the Offered Bonds when due.

### **RATINGS**

The Offered Bonds have been assigned ratings of "Aa2" and "AA-" by Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P"), respectively. Such ratings reflect only the views of the respective rating agencies, and explanations of the significance of the ratings must be obtained from the rating agencies furnishing such ratings. There is no assurance that such ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of the rating agencies circumstances so warrant. A downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Offered Bonds.

## **UNDERWRITING**

The Series 2021 Bonds are being purchased by an underwriting group represented by J.P. Morgan Securities LLC and UBS Financial Services Inc. (collectively called the “Series 2021 Underwriters”) from the State Treasurer, who is authorized pursuant to the Act to sell the Series 2021 Bonds on behalf of the Board. The Series 2021 Underwriters have agreed to purchase the Series 2021 Bonds at a price of \$1,803,121,436.60. The price represents the principal amount of the Series 2021 Bonds, plus original issue premium of \$19,457,598.60, less an underwriters’ discount of \$4,656,162.00. The purchase contract pursuant to which the Series 2021 Bonds are being sold provides that the Series 2021 Underwriters will purchase all of the Series 2021 Bonds if any such Series 2021 Bonds are purchased with the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The sale of the Series 2021 Bonds is not contingent upon the successful sale of any Series or upon the successful remarketing of the Series 2016B-2 Bonds.

Several of the Underwriters have provided letters to the Board and the State Treasurer relating to their distribution practices or other affiliations for inclusion in this Official Statement, which are set forth in Appendix I. The Board does not guarantee the accuracy or completeness of the information contained in such letters and the information therein is not to be construed as a representation of the Board or any Underwriter other than the Underwriter providing such representation.

## **REMARKETING**

The remarketing agreement relating to the Series 2016B-2 Bonds provides that (i) the Remarketing Agent has agreed to use its best efforts to remarket or purchase all (but not less than all) of the Series 2016B-2 Bonds, and (ii) the obligation to remarket or purchase the Series 2016B-2 Bonds is subject to certain terms and conditions set forth in such remarketing agreement including, among others, the approval of certain legal matters by counsel. The Board will pay the Remarketing Agent a fee in the amount of \$135,600.11 for its services in connection with the remarketing of the Series 2016B-2 Bonds. The remarketing of the Series 2016B-2 Bonds is not contingent upon the successful sale of the Series 2021 Bonds. In the event the conditions to remarketing the 2016B-2 Bonds are not satisfied, including if sufficient remarketing proceeds are not available for the purchase of all the Series 2016B-2 Bonds tendered or deemed tendered and required to be purchased on such mandatory tender date, then: (i) no such purchase shall occur and the Tender Agent shall promptly return all Series 2016B-2 Bonds tendered or deemed tendered to the Holders thereof together with notice of such insufficiency and the Tender Agent and the Remarketing Agent shall promptly return all remarketing proceeds to the persons providing such moneys without interest; (ii) the Term Rate Period currently in effect will terminate on the day prior to the existing Term Rate Scheduled Mandatory Tender Date (November 1, 2021); (iii) a Term Rate Delayed Remarketing Period will commence on such Term Rate Scheduled Mandatory Tender Date as provided in the Indenture, unless the Series 2016B-2 Bonds are successfully remarketed prior to such date, and (iv) such failed purchase will not constitute an Event of Default under the Indenture. See “THE OFFERED BONDS – Mandatory Tender of Series 2016B-2 Bonds.”

## **MUNICIPAL ADVISOR**

The Board has entered into an agreement with KNN Public Finance, LLC (the “Municipal Advisor”), whereunder the Municipal Advisor provides financial recommendations and guidance to the Board with respect to preparation for sale of the Series 2021 Bonds, timing of sale, bond market conditions, costs of issuance and other factors related to the sale of the Series 2021 Bonds and the remarketing of the Series 2016B-2 Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this Official Statement. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement.

## **FINANCIAL INTERESTS**

The fees payable to the Underwriters, Underwriters’ Counsel, Bond Counsel, Disclosure Counsel and the Municipal Advisor are contingent upon the issuance of the Series 2021 Bonds. The fees payable to the Remarketing Agent are contingent upon the remarketing of the Series 2016B-2 Bonds.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C. (the “Verification Agent”), a firm of independent public accountants, will deliver to the Board, on or before the date of issuance of the Series 2021 Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Defeasance Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Bonds to be Refunded.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Board and its representatives. The Verification Agent will restrict its procedures to recalculating the computations provided by the Board and its representatives and will not evaluate or examine the assumptions or information used in the computations.

## AUDITED FINANCIAL STATEMENTS

The audited financial statements for Fiscal Year 2019-20 for CSU included in Appendix C of this Official Statement have been audited by KPMG LLP (the “Auditor”), certified public accountants, independent auditor, as stated in its report included in Appendix C herein. Gross Revenues and certain other financial information relating to the Systemwide Revenue Bond program are presented in the form of supplemental schedules to the combined financial statements of the Board. No opinion is expressed by the Auditor with respect to any event subsequent to its report dated March 19, 2021 to the Board. The Auditor, as independent auditor, has not been engaged to perform and has not performed, since the date of its report included in Appendix C herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement. Except as disclosed herein, CSU believes that there has not been any material adverse change in the financial condition of CSU since June 30, 2020.

Financial statements with detailed campus information can be found at:

<https://www2.calstate.edu/csu-system/transparency-accountability/Pages/financial-statements.aspx>

## MISCELLANEOUS

Any statements in this Official Statement and Remarketing Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement and Remarketing Memorandum is not to be construed as a contract or agreement between the Board and the purchasers or holders of any of the Offered Bonds.

The execution and delivery of this Official Statement and Remarketing Memorandum has been duly authorized by the Board.

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

By:                                 /s/ Dr. Joseph I. Castro                                  
Dr. Joseph I. Castro  
Chancellor

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**APPENDIX A**

**CALIFORNIA STATE UNIVERSITY**

APPENDIX A

CALIFORNIA STATE UNIVERSITY

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## APPENDIX A

### CALIFORNIA STATE UNIVERSITY

#### GENERAL

California State University (“CSU”) is the nation’s largest and one of the most affordable systems of public higher education, serving approximately 486,000 students and employing approximately 62,716 faculty and staff. CSU spans the entire State of California (the “State”) and includes the State’s oldest public higher education institution. With approximately 129,000 annual graduates and four million living alumni, one in ten employees in California is a CSU graduate. Its annual budget for fiscal year 2020-21 was just under \$10.0 billion. CSU’s administrative offices are located in Long Beach, California.

The CSU System (“CSU System”) is an agency of the State created by the Donahoe Higher Education Act of 1960, which reorganized higher education in California. At that time, twelve existing schools, previously under the jurisdiction of the State Board of Education, were brought under the stewardship of the Board of Trustees (the “Board”). Today there are 23 campuses and eight off-campus centers in the CSU System. See Appendix B for an overview of each campus.

#### Education Program

The educational responsibilities of CSU are to provide undergraduate and graduate instruction through bachelor’s and master’s degrees in the liberal arts and sciences, in applied fields, and the professions. The 23 campuses of the CSU offer 4,100 undergraduate and graduate degrees through both classroom and online instruction, as well as nursing degrees and teaching credentials. Over 60 doctoral degrees are offered independently or jointly with the University of California and certain private institutions in California, including Doctor of Education (Ed.D.), Doctor of Nursing Practice (DNP), and Doctor of Physical Therapy (DPT). CSU has two highly ranked polytechnic campuses, California Polytechnic State University, San Luis Obispo and California State Polytechnic University, Pomona, out of a total of 11 polytechnic universities in the nation.

The mission statement of CSU lists the following general objectives:

- To advance and extend knowledge, learning, and culture, especially throughout California.
- To provide opportunities for individuals to develop intellectually, personally, and professionally.
- To prepare significant numbers of educated, responsible people to contribute to California’s schools, economy, culture, and future.
- To encourage and provide access to an excellent education to all who are prepared for and wish to participate in collegiate study.
- To offer undergraduate and graduate instruction leading to bachelor’s and higher degrees in the liberal arts and sciences, the applied fields, and the professions, including doctoral degrees when authorized.
- To prepare students for an international, multi-cultural society.
- To provide public services that enrich the university and its communities.

#### Accreditation

The regional accrediting body for California, Hawaii, and certain Pacific Islands is the Western Association of Schools and Colleges (“WASC”), which is one of the six major regional college accreditation agencies in the United States. WASC’s Senior College and University Commission (“WSCUC”) has granted institutional accreditation to all 23 CSU campuses on an individual basis.

## GOVERNANCE AND ADMINISTRATION

### The Board of Trustees

CSU is governed by the Board through the Chancellor, who is the chief executive officer of the CSU System.

Effective January 1, 2020, all 25 Trustees are voting members. Appointments are for eight years, except for the two Student Trustees, the Alumni Trustee and the Faculty Trustee, whose terms are for two years. After the expiration of their terms, Trustees (except for Student and Alumni Trustees) may remain on the Board until a replacement is named; provided, however, that a Trustee subject to State Senate confirmation may not remain on the Board longer than 60 days without reappointment, and the Faculty Trustee may not remain in office longer than one additional year. All appointments, except for the Student, Alumni, and Faculty Trustees, must be confirmed by the State Senate.

Five Trustees are ex officio members: the Governor, the Lieutenant Governor, the Speaker of the Assembly, the State Superintendent of Public Instruction and the Chancellor. Nineteen of the Trustees are appointed by the Governor for staggered terms of office, while the Alumni Trustee is appointed by the CSU Statewide Alumni Council.

The Governor is designated as the President of the Board. The Executive Vice Chancellor and Chief Financial Officer for Business and Finance, Steve Relyea, serves as Treasurer. Andrew Jones, Executive Vice Chancellor and General Counsel, serves as Secretary.

The following individuals currently serve as voting members of the governing Board of CSU:

|                                |   |
|--------------------------------|---|
| The Honorable Gavin Newsom     | <i>Governor of California</i>                     |
| The Honorable Eleni Kounalakis | <i>Lieutenant Governor</i>                        |
| The Honorable Anthony Rendon   | <i>Speaker of the Assembly</i>                    |
| The Honorable Tony K. Thurmond | <i>State Superintendent of Public Instruction</i> |
| Dr. Joseph I. Castro           | <i>CSU Chancellor</i>                             |
| Lillian Kimbell                | <i>Chair, CSU Board of Trustees</i>               |
| Wenda Fong                     | <i>Vice Chair, CSU Board of Trustees</i>          |
| Larry L. Adamson               | <i>Alumni, CSU Board of Trustees</i>              |
| Diego Arambula                 | <i>Member, CSU Board of Trustees</i>              |
| Jane W. Carney                 | <i>Member, CSU Board of Trustees</i>              |
| Jack Clarke, Jr.               | <i>Member, CSU Board of Trustees</i>              |
| Adam Day                       | <i>Member, CSU Board of Trustees</i>              |
| Dr. Douglas Faigin             | <i>Member, CSU Board of Trustees</i>              |
| Dr. Debra S. Farar             | <i>Member, CSU Board of Trustees</i>              |
| Jean P. Firstenberg            | <i>Member, CSU Board of Trustees</i>              |
| Jack McGrory                   | <i>Member, CSU Board of Trustees</i>              |
| Anna Ortiz-Morfit              | <i>Member, CSU Board of Trustees</i>              |
| Krystal Raynes                 | <i>Student, CSU Board of Trustees</i>             |
| Dr. Romey Sabalius*            | <i>Faculty, CSU Board of Trustees</i>             |
| Lateefah Simon                 | <i>Member, CSU Board of Trustees</i>              |
| Christopher Steinhauser        | <i>Member, CSU Board of Trustees</i>              |

\* By operation of California Education Code, office continues beyond June 30, 2021 expiration of term pending appointment of successor.

### Central Administration

The Board appoints the Chancellor and the Vice Chancellors of the CSU System, and the President of each campus, each of whom is the Chief Executive Officer of the respective campus. The Board, the Chancellor, the Vice Chancellors, and the Presidents develop systemwide policy that is implemented at the campus level through broad-based consultative procedures. Principal staff members of the CSU System are located in the CSU administrative office in Long Beach. They include:

*Dr. Joseph I. Castro*, Chancellor and member of the Board. Dr. Castro formally assumed the CSU chancellorship in January 2021 and serves as CSU's eighth Chancellor. Prior to his appointment as CSU Chancellor in September 2020, Dr. Castro served as President of California State University, Fresno, beginning in 2013. He also worked in the University of California system for 23 years, serving as Vice Chancellor of Student Academic Affairs and as professor of Family and Community Medicine at the University of California, San Francisco from 2006 to 2013. Earlier in his career, he held faculty or administrative leadership positions at four other University of California campuses: Berkeley, Davis, Merced and Santa Barbara. Dr. Castro is the first Californian and first person of color to serve in this role. The grandson of immigrants from Mexico and the son of a single mother, Dr. Castro was the first in his family to graduate from a university. He earned a bachelor's degree in political science and a master's degree in public policy from the University of California, Berkeley, and a Ph.D. in higher education policy and leadership from Stanford University. He is a renowned and gifted scholar in the fields of leadership and public policy, and has mentored hundreds of other scholars and practitioners, including many university presidents and senior officers.

*Steve Relyea*, Executive Vice Chancellor and Chief Financial Officer for Business and Finance and Treasurer of the Board, joined the Chancellor's Office in April 2014. Prior to joining CSU, Mr. Relyea had over thirty years of experience in administration and finance in the University of California system and had served as Vice Chancellor of External and Business Affairs at the University of California, San Diego.

*Dr. Fred E. Wood*, Interim Executive Vice Chancellor, Academic and Student Affairs, served as Chancellor of the Contra Costa (California) Community College District, which has nearly 52,000 students and 3,600 employees across three college campuses. He retired from that position in 2019. Prior to that, Dr. Wood served as Chancellor of the University of Minnesota, Crookston, with direct oversight of the areas of academic affairs, admissions, budget and finance, and student affairs, among other areas. From 1997-2012, Dr. Wood served in a variety of roles at the University of California, Davis culminating in five years as Vice Chancellor for Student Affairs.

*Andrew Jones*, Executive Vice Chancellor, General Counsel and Secretary of the Board, was appointed in December 2017. Mr. Jones joined CSU Office of General Counsel (OGC) in 2000 and previously served as Associate Vice Chancellor and Deputy General Counsel, a role in which he coordinated with the Executive Vice Chancellor and General Counsel in supervising OGC operations and legal services for all 23 campuses. Prior to joining the CSU, Mr. Jones was in private practice for over 15 years first as a partner at Adams, Duque & Hazeltine and later in his own firm, Myers & Jones, LLP.

*Larry Salinas*, Interim Vice Chancellor, University Relations and Advancement, joined the Chancellor's Office in January 2021 as a senior advisor to the Chancellor. Previously, he served as the executive director for governmental relations at California State University, Fresno where he led the campus' government relations program and served as the principal liaison between Fresno State and policymakers at the local, state and federal levels. Before joining Fresno State, Mr. Salinas served in various government relations leadership roles at the University of California Office of the President and University of California, Merced, where he was a founding board member, and as a lead staff member for a California assembly member and lieutenant governor as well as for three members of Congress.

*Evelyn Nazario*, Vice Chancellor for Human Resources, was appointed in October 2018. Ms. Nazario joined the CSU in 2008 and previously served as associate vice chancellor for human resources (HR) management. In that capacity, she was responsible for the oversight of campus human resource officers and provided guidance in all HR related matters. Prior to joining the CSU, Ms. Nazario served as Director of Compensation and HR operations for the University of California, Irvine and as Director of Compensation, Benefits, Human Resources Information System (HRIS) & Payroll at St. Joseph Hospital. In addition to her administrative role, Ms. Nazario also serves as an adjunct lecturer in the college of business at California State University, Fullerton.

*Vlad Marinescu*, Vice Chancellor and Chief Audit Officer, was appointed on July 1, 2020. Mr. Marinescu oversees the CSU's Division of Audit and Advisory Services for the CSU System and its auxiliary organizations. Prior to joining the CSU, Mr. Marinescu served in a variety of roles for Mattel culminating in his most recent position as Director, Internal Audit. Mr. Marinescu has previous experience in the public sector, having served as a senior auditor for the Long Beach City Auditor's Office.

## **Campus Administration**

Campus presidents are the chief executive officers of their respective campuses. They report to the Chancellor and the Board and are responsible for all campus activities, including educational activities funded from State appropriations and a variety of support activities funded from non-State resources. As a result, campus presidents are required to develop and oversee all non-State self-supporting services and programs.

The laws applicable to CSU include provisions for the establishment of auxiliary organizations, which are chartered by their respective campus to perform many non-State self-supporting activities under the supervision of their respective campus president. Due to restrictions on the use of State funds, activities conducted by the auxiliary organizations must be self-supporting. There are 87 auxiliary organizations that operate pursuant to special written agreements with their respective campus and perform specific functions that contribute to the educational mission of the campus. They are subject to certain specific statutes, regulations and policies established by the Board, the Chancellor, and the campus presidents; almost all auxiliary organizations are classified as non-profit for tax purposes. Revenue in excess of expenditures for a given fiscal year is used to establish working capital and reserves and to pay for capital expenditures or special campus programs as developed through a campus program budget review process. Auxiliary organization financial activity is audited annually and incorporated in the CSU audited financial statements. For additional information, see Appendix C — “AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2020.”

## **Student Involvement in Governance**

The CSU values shared governance involving its student body. Pursuant to Board of Trustees Student Participation Policy Development resolution dated July 11, 2001, each campus is responsible for ensuring that associated student body organizations are involved in campus policy development as full participants. The policy requires that associated student body organizations established at each campus shall serve as the official representative body of the students at the campuses. The campus presidents are required to provide these organizations opportunities to offer opinions and make recommendations about campus policy and procedures that have or will have an effect upon students. Additionally, the Board of Trustees includes two voting student trustees appointed by the governor from nominees proposed by the California State Student Association. Student trustees serve staggered two-year terms.

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**THE CSU SYSTEM AND CAMPUSES**

**Enrollment**

The following table sets forth Fall enrollment figures for each CSU campus for Fall 2016 to Fall 2020.

**TABLE 1  
CALIFORNIA STATE UNIVERSITY  
SIZE AND ENROLLMENT  
2016-17 through 2020-21<sup>(1)</sup>**

| Present Name   | Date<br>Institution<br>Opened | Size of<br>Campus<br>Including<br>Agricultural &<br>Reserve<br>(Acres) | Fall Enrollment (Headcount) <sup>(1)</sup> |                |                |                |                |
|--|-------------------------------|--|--|----------------|----------------|----------------|----------------|
|  |                               |  | 2016                                       | 2017           | 2018           | 2019           | 2020           |
|  |                               |  | CSU, Bakersfield                           | 1970           | 376            | 9,341          | 9,863          |
| CSU Channel Islands  | 2002                          | 1,189  | 6,611                                      | 7,053          | 7,095          | 7,093          | 6,943          |
| CSU, Chico   | 1889                          | 776  | 17,557                                     | 17,789         | 17,488         | 17,019         | 16,630         |
| CSU, Dominguez Hills   | 1965                          | 356  | 14,731                                     | 15,179         | 15,741         | 17,027         | 17,763         |
| CSU, East Bay  | 1959                          | 355  | 15,855                                     | 15,435         | 14,525         | 14,705         | 14,641         |
| CSU, Fresno  | 1911                          | 1,397  | 24,405                                     | 25,168         | 24,995         | 24,139         | 25,341         |
| CSU, Fullerton   | 1959                          | 241  | 40,235                                     | 40,439         | 39,774         | 39,868         | 41,408         |
| Humboldt State University  | 1914                          | 231  | 8,503                                      | 8,347          | 7,774          | 6,983          | 6,431          |
| CSU, Long Beach  | 1949                          | 319  | 37,776                                     | 37,065         | 36,846         | 38,074         | 39,359         |
| CSU, Los Angeles   | 1947                          | 160  | 27,827                                     | 28,253         | 27,685         | 26,361         | 26,342         |
| CSU Maritime Academy   | 1929                          | 88   | 1,107                                      | 1,050          | 1,017          | 911            | 907            |
| CSU, Monterey Bay  | 1995                          | 1,054  | 7,274                                      | 7,131          | 7,079          | 7,123          | 6,871          |
| CSU, Northridge  | 1958                          | 338  | 39,916                                     | 39,816         | 38,716         | 38,391         | 38,815         |
| California State Polytechnic<br>University, Pomona                                       | 1938                          | 1,302  | 25,326                                     | 25,894         | 26,443         | 27,914         | 29,704         |
| CSU, Sacramento  | 1947                          | 294  | 30,510                                     | 30,661         | 31,131         | 31,156         | 31,451         |
| CSU, San Bernardino  | 1965                          | 442  | 20,767                                     | 20,461         | 19,973         | 20,311         | 19,404         |
| San Diego State University   | 1897                          | 539  | 34,688                                     | 34,828         | 34,881         | 35,081         | 35,578         |
| San Francisco State University   | 1899                          | 163  | 29,045                                     | 29,607         | 29,586         | 28,880         | 27,075         |
| San Jose State University<br>California Polytechnic State<br>University, San Luis Obispo | 1862                          | 150  | 32,154                                     | 33,409         | 32,828         | 33,282         | 33,025         |
| CSU, San Marcos  | 1901                          | 5,965  | 21,306                                     | 22,188         | 21,812         | 21,242         | 22,287         |
| Sonoma State University  | 1990                          | 303  | 13,144                                     | 13,893         | 14,511         | 14,519         | 14,643         |
| CSU, Stanislaus  | 1961                          | 4,216  | 9,323                                      | 9,223          | 9,201          | 8,649          | 7,807          |
| CSU, Stanislaus  | 1960                          | 227  | 9,762                                      | 10,003         | 10,214         | 10,614         | 10,741         |
| Total:   |                               |  | <u>477,163</u>                             | <u>482,755</u> | <u>479,808</u> | <u>480,541</u> | <u>484,563</u> |

<sup>(1)</sup> The above data include undergraduate, post-baccalaureate and graduate students but exclude the non-campus programs of CalState Teach and International Studies, which for Fall 2020 had enrollments of 961 and 26 students, respectively.  
Source: California State University

Overall enrollment at CSU has increased 1.6% over the past five years. Enrollment at CSU campuses has been approximately 5% above the budgeted target for a number of years due to high demand. In Fall 2019 and Fall 2020, enrollment went up by approximately 0.2% and 0.8% respectively from the previous years. See “GENERAL CSU FINANCIAL INFORMATION—State Budget Acts for Recent Fiscal Years” and “—State Budget for Fiscal Year 2021-22.” Each CSU campus has the ability to seek adjustments to student fees and other charges constituting Gross Revenues in order to mitigate adverse effects of declining enrollment on Gross Revenues. See Table 8.

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Table 2 below sets forth total enrollment and full time undergraduate enrollment information for CSU and the University of California for Fall 2016 to Fall 2020.

**TABLE 2  
ENROLLMENT IN  
PUBLIC UNIVERSITIES IN CALIFORNIA  
2016-17 through 2020-21<sup>(1)</sup>**

|                             | Fall 2016 |                     | Fall 2017 |                                    | Fall 2018 |                                    | Fall 2019 |                                    | Fall 2020 |                                    |
|-----------------------------|-----------|---------------------|-----------|------------------------------------|-----------|------------------------------------|-----------|------------------------------------|-----------|------------------------------------|
|                             | Total     | Full Time Undergrad | Total     | Full Time Undergrad <sup>(2)</sup> | Total     | Full Time Undergrad <sup>(2)</sup> | Total     | Full Time Undergrad <sup>(2)</sup> | Total     | Full Time Undergrad <sup>(2)</sup> |
| California State University | 477,163   | 362,736             | 482,755   | 370,515                            | 479,808   | 369,047                            | 480,541   | 372,867                            | 484,563   | 368,562                            |
| University of California    | 270,112   | 202,865             | 278,996   | 216,747                            | 286,271   | 222,493                            | 291,239   | 226,121                            | 291,869   | 226,449                            |

<sup>(1)</sup> For CSU, the above data exclude the non-campus programs of CalState Teach and International Studies, which for Fall 2020 had enrollments of 961 and 26 students, respectively.

<sup>(2)</sup> Represents total undergraduate headcount (full time and part time) for the University of California.  
Source: California State University and University of California

Table 3 below sets forth full time equivalent student enrollment (“FTES”) data for CSU graduate and undergraduate students for academic years 2015-16 through 2019-20. FTES is a measurement of enrollment derived by dividing total student credit hours for a term by twelve for graduate and fifteen for undergraduate students and is used for budgeting and accounting for actual educational activity. Approximately 95 percent of FTE students are classified as California residents and five percent are classified as non-residents.

**TABLE 3  
CALIFORNIA STATE UNIVERSITY  
FULL TIME EQUIVALENT STUDENTS  
2015-16 through 2019-20<sup>(1)</sup>**

| 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 <sup>(2)</sup> |
|---------|---------|---------|---------|------------------------|
| 389,935 | 396,080 | 404,002 | 402,485 | 405,272                |

<sup>(1)</sup> Academic year FTES; excludes summer term FTES. FTES data reflected in Appendix C — “AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2020” presents college year FTES, which includes summer term FTES, and is shown on a fiscal year basis.

<sup>(2)</sup> Excludes the non-campus programs of CalState Teach and International Studies, which for academic year 2019-20 had FTES enrollments of 788 and 434 students, respectively.

Source: California State University

## Social Diversity

CSU promotes student success through opportunity and a high-quality education that prepares students to become leaders in the changing workforce, making the CSU a vital economic engine for California. Educating approximately 486,000 students annually, CSU graduates comprise nearly half of the state’s bachelor’s degrees, sending nearly 129,000 job-ready graduates into the workforce each year. High quality academic programs reflect current and future workforce demands in emerging fields such as cybersecurity, software engineering, sustainable business, and environmental technology. As of Spring 2021, one in ten employees in California is a CSU graduate.

The CSU educates the most ethnically, economically, and academically diverse student body in the nation. As of Fall 2020, about 45% of the student body was Latino, 15% were Asian or Pacific Islander, and 4% were African American. Close to half of students were underrepresented minorities and nearly one-third of undergraduates were the first in their families to attend college.

The CSU itself employs over 62,000 faculty and staff, and social diversity extends to its own workforce. At Fall 2020, more than 20% of the CSU’s workforce were Latino, nearly 16% were Asian or Pacific Islander, and about



6% were African American. In addition, the workforce was 55 percent female. This extends to its executive and management workforce, which was 55.4 percent female. Further, 12 of the current CSU’s 23 presidents are women, whereas the national average of female leadership among higher education institutions is 30%.

Approximately half of undergraduates receive Federal Pell Grants, the most common form of need-based financial aid. In 2019-20, over \$4.5 billion in such aid was distributed to more than 391,000 students—83 percent of the CSU’s total student population. The average award was \$11,616.

**Student Tuition Fees and Other Education Costs**

Charges for attending CSU are set by the Board, or by the Chancellor or campus presidents under delegations from the Board. Students who are classified as California residents pay charges based upon whether they are full or part-time students and, to some degree, which campus they are attending due to variations in other campus-based fees. Undergraduate, graduate, post-baccalaureate, credential and doctoral students pay a fee (the “Tuition Fee”) to support basic instruction and other mandatory CSU costs.

During the 2021-22 academic year, the Tuition Fee for undergraduate part-time students (taking up to 6 units) is \$3,330 and for full-time undergraduate students (taking 6.1 units or more) is \$5,742.

Table 4 sets forth the Systemwide part-time and full-time Tuition Fee for California resident undergraduate students for academic years 2017-18 to 2021-22. Effective April 20, 2016, the Board designated Tuition Fee revenues as Gross Revenues pledged as security for Systemwide Revenue Bonds. See “SECURITY FOR THE SERIES 2021 BONDS” and “SYSTEMWIDE REVENUE BOND PROGRAMS – Tuition Fees.”

**TABLE 4  
CALIFORNIA STATE UNIVERSITY  
TUITION FEE PER ACADEMIC YEAR  
FOR CALIFORNIA RESIDENT UNDERGRADUATES  
2017-18 through 2021-22**

| Academic Year | Tuition Fee |           |
|---------------|-------------|-----------|
|               | Part time   | Full time |
| 2017-18       | \$3,330     | \$5,742   |
| 2018-19       | 3,330       | 5,742     |
| 2019-20       | 3,330       | 5,742     |
| 2020-21       | 3,330       | 5,742     |
| 2021-22       | 3,330       | 5,742     |

Source: California State University

For the 2021-22 academic year, graduate students pay a Tuition Fee of \$4,164 (part-time) and \$7,176 (full-time). Doctoral students have a Tuition Fee ranging from \$11,838 to \$17,196 for academic year 2021-22 depending upon the program. Nonresident students pay \$264 per quarter unit or \$396 per semester unit in addition to the applicable Tuition Fee in the 2021-22 academic year. (For information on the impact of the COVID-19 pandemic, see Appendix A – “OTHER MATTERS – COVID-19 Developments”).

The Tuition Fee, including the amount constituting such nonresident tuition, is set by the Board or by the Chancellor. Any changes in the Tuition Fee or other mandatory systemwide fees will be made in accordance with the requirements of the Working Families Student Fee Transparency and Accountability Act, which prescribes a consultative process that the CSU must follow in order to increase mandatory systemwide fees. All other listed fees, other than mandatory systemwide fees, are subject to change without notice until the date when instruction for a particular semester or quarter has begun. All CSU listed fees should be regarded as estimates that are subject to change upon approval by the Board of Trustees, the Chancellor, or the Presidents, as appropriate.

In addition to the Tuition Fee, other campus-based fees are charged to each enrolled student for services or programs that are available to or provided for all students on each campus. For academic year 2020-21, other campus-based fees ranged from \$901 to \$4,329 per year; the Tuition Fee for California residents, plus such other

campus-based fees, averaged a total of \$7,401, ranging from a low of \$6,643 at California State University, Fresno to a high of \$10,071 at California Polytechnic State University, San Luis Obispo. These fees are typically finalized at the beginning of each academic year.

Other campus-based charges and fees may also be incurred by students, such as: graduation and diploma fees, transcript fees, late registration fees, catalog fees, identification card fees, and miscellaneous fees for courses not fully funded out of operating expense (e.g., lab, field trips, art materials, instrument fees). Such other campus-based fees are generally not pledged to the repayment of Systemwide Revenue Bonds. See “SECURITY FOR THE SERIES 2021 BONDS.”

The total cost of attending CSU varies based upon the student’s academic program, where the student will live, the location of the campus the student will attend and other factors unique to each student. The amount charged by CSU remains low in comparison to other institutions of higher education, both inside and outside the State. CSU believes the attractive price of education it offers supports the strong demand for its services.

### **Revenue Management and Investments**

Charges for attending CSU are collected at the time of registration for each academic term and are deposited into local university bank accounts. Operating expenses are paid from local university bank accounts by each campus with funds drawn from CSU’s investment program. Campuses with facilities that were financed through the issuance of the Board’s revenue bonds also deposit revenues, including Gross Revenues, for those programs into local university bank accounts. Excess balances in local university bank accounts are swept daily for investment through CSU’s investment program.

CSU’s investment portfolio consists primarily of investments in the State of California Surplus Money Investment Fund and CSU’s Consolidated Investment Pool. See Appendix C — “AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2020” at Note (3)(b). Currently, the CSU’s Consolidated Investment Pool consists of the Liquidity Portfolio (the “Liquidity Portfolio”, previously known as the Systemwide Investment Fund Trust or “SWIFT”) and the Total Return Portfolio (“TRP”). The Liquidity Portfolio is managed through contracts with two investment management firms, each of whom provides investment management services for the program. Funds invested in the Liquidity Portfolio are split evenly between the investment managers through a custodian bank on behalf of CSU and invested by the investment managers according to permitted investments outlined in the Government Code of the State and CSU investment policy. For the Liquidity Portfolio, the permitted investments consist primarily of highly rated, fixed-income securities, which could include variable rate instruments. Total investments in the Liquidity Portfolio were \$3.675 billion at the end of June 2021.

Effective January 1, 2017, changes to the Education Code and Government Code of the State expanded the permitted investments to include mutual funds, including equity mutual funds, and real estate investment trusts, resulting in the establishment of the TRP. Under State law, investment of funds in the TRP is subject to CSU meeting certain conditions regarding investment oversight, reporting, and use of earnings, and is limited to no more than thirty percent of the CSU Consolidated Investment Pool. As of the end of June 2021, CSU made TRP investments totaling \$1.362 billion. Since inception in April of 2018, the TRP has been following a regular funding schedule, ensuring the TRP does not exceed the statutory limits for the TRP. With the establishment of the TRP, CSU expects that exposure in the value of its investments as a result of illiquidity or volatility in certain investment sectors of the financial markets will increase for a portion of its investments, but that such exposure is not expected to have a material adverse impact on Gross Revenues. Funds held in CSU’s investment program are subject to changes in market valuation. Finally, CSU is developing the Intermediate Duration Portfolio (“IDP”), where the permitted investments are similar to the permitted investments for the Liquidity Portfolio, however the IDP’s average duration will be in the intermediate range. CSU anticipates implementation for the IDP to begin in the near future.

As bond trustee, the State Treasurer invests and disburses proceeds of the Board’s revenue bond program during the construction phase of projects constructed by CSU, according to the permitted investments outlined in the Government Code of the State. CSU receives interest on amounts invested by the State Treasurer from the State Controller’s Office on a quarterly basis.

## Student Admissions

Table 5 below sets forth application and enrollment data for first time freshmen, undergraduate transfers, graduates and other students for the academic years indicated.

**TABLE 5  
CALIFORNIA STATE UNIVERSITY  
UNDERGRADUATE AND GRADUATE ADMISSIONS**

| <u>Fall Term</u>    | <u>Applications Received</u> <sup>(1)</sup> | <u>Applications Accepted</u> <sup>(1)</sup> | <u>Percent Accepted</u> | <u>Accepted Enrolled</u> | <u>Percent of Accepted Enrolled</u> <sup>(2)</sup> |
|---------------------|---|---|-------------------------|--------------------------|--|
| <b>2016</b>         |   |   |                         |                          |  |
| First Time Freshmen | 587,382                                     | 302,758                                     | 52%                     | 62,980                   | 21%  |
| Undergrad Transfers | 270,762                                     | 150,433                                     | 56%                     | 53,606                   | 36%  |
| Graduates           | 78,137                                      | 33,984                                      | 43%                     | 20,576                   | 61%  |
| Other               | <u>3,507</u>                                | <u>3,490</u>                                | 100%                    | <u>4,034</u>             | 116%   |
| Total               | 939,788                                     | 490,665                                     | 52%                     | 141,196                  | 29%  |
| <b>2017</b>         |   |   |                         |                          |  |
| First Time Freshmen | 587,196                                     | 308,907                                     | 53%                     | 66,442                   | 22%  |
| Undergrad Transfers | 285,694                                     | 154,601                                     | 54%                     | 53,647                   | 35%  |
| Graduates           | 73,201                                      | 32,406                                      | 44%                     | 20,223                   | 62%  |
| Other               | <u>3,530</u>                                | <u>3,474</u>                                | 98%                     | <u>3,812</u>             | 110%   |
| Total               | 949,621                                     | 499,388                                     | 53%                     | 144,124                  | 29%  |
| <b>2018</b>         |   |   |                         |                          |  |
| First Time Freshmen | 637,350                                     | 318,991                                     | 50%                     | 66,803                   | 21%  |
| Undergrad Transfers | 280,025                                     | 142,380                                     | 51%                     | 54,532                   | 38%  |
| Graduates           | 71,251                                      | 31,821                                      | 45%                     | 19,727                   | 62%  |
| Other               | <u>4,235</u>                                | <u>4,205</u>                                | 99%                     | <u>4,510</u>             | 107%   |
| Total               | 992,861                                     | 497,397                                     | 50%                     | 145,572                  | 29%  |
| <b>2019</b>         |   |   |                         |                          |  |
| First Time Freshmen | 639,483                                     | 364,203                                     | 57%                     | 65,979                   | 18%  |
| Undergrad Transfers | 295,203                                     | 160,068                                     | 54%                     | 58,534                   | 36%  |
| Graduates           | 68,603                                      | 31,422                                      | 46%                     | 19,451                   | 62%  |
| Other               | <u>3,932</u>                                | <u>3,829</u>                                | 97%                     | <u>4,091</u>             | 107%   |
| Total               | 1,007,221                                   | 559,522                                     | 56%                     | 148,055                  | 26%  |
| <b>2020</b>         |   |   |                         |                          |  |
| First Time Freshmen | 580,765                                     | 376,154                                     | 65%                     | 61,830                   | 16%  |
| Undergrad Transfers | 282,384                                     | 172,300                                     | 61%                     | 62,426                   | 36%  |
| Graduates           | 73,319                                      | 35,214                                      | 48%                     | 21,527                   | 61%  |
| Other               | <u>2,927</u>                                | <u>2,637</u>                                | 90%                     | <u>2,317</u>             | 88%  |
| Total               | 939,395                                     | 586,305                                     | 62%                     | 148,100                  | 25%  |

<sup>(1)</sup> Includes duplicated applications received and accepted as a result of students applying to more than one campus.

<sup>(2)</sup> Cases where enrollment is greater than 100% are due to students enrolling in classes as transitory students, after not being admitted into a campus.

Source: California State University

## CSU AND RELATED ENTITY INDEBTEDNESS

CSU has various revenue bonds and other obligations outstanding as listed below. These obligations are secured by and payable from revenues of the financed facilities, investment income, student charges and rental payments.

In addition to the debt the Board issues directly, several other sources of capital have historically been available to CSU. From time to time, voter-approved general obligation bonds are issued by the State (and repaid from taxes and other funds of the State) and used to pay capital costs of new academic and other facilities of CSU. Prior to 2014, the issuance of State Public Works Board Lease Revenue Bonds was a significant source of capital for facilities, for which debt service was appropriated annually by the State Legislature. In 2014, the State Legislature shifted budgetary responsibility for paying debt service on State Public Works Board Lease Revenue Bonds and voter-approved general obligation bonds issued on behalf of CSU from the State to CSU. As part of the plan enacted in 2014, CSU receives additional State funding to pay the debt service on State general obligation bonds and State Public Works Board Lease Revenue Bonds. As a result of these shifts, the Systemwide Revenue Bond program is now the primary long-term financing vehicle for academic and other facilities of the type previously financed with voter-approved general obligation bonds and State Public Works Board Lease Revenue Bonds. The State may continue to issue such bonds from time to time.

There are also 87 auxiliary organizations that provide certain essential services to individual campuses. Approximately ten percent of these auxiliary organizations in the past issued their own debt generally secured by project revenue to finance projects for CSU's campuses. Most of these bonds have been refunded into the Systemwide Revenue Bond program or matured. At this point, there is only one auxiliary organization with bonds outstanding. CSU is not obligated to pay debt service on any auxiliary organization bonds. The following table lists the outstanding public indebtedness of CSU and related entities as of June 25, 2021.

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**TABLE 6**  
**CALIFORNIA STATE UNIVERSITY**  
**OBLIGATIONS ISSUED AND OUTSTANDING**  
**as of June 25, 2021**

| Revenue Bonds and Bond Anticipation Notes Issued by the Board | Amount<br>Outstanding   |
|---|-------------------------|
| <u>Systemwide Revenue Bonds</u>                               |                         |
| Housing System Revenue Bonds (Issued prior to April 2002)     | \$ 235,000              |
| Systemwide Revenue Bonds, Series 2007B through 2020E          | 7,888,015,000           |
| Total Systemwide Revenue Bonds <sup>(1)(2)</sup>              | \$ 7,888,250,000        |
| <br>  |                         |
| Bond Anticipation Notes (“BANs”) <sup>(3)</sup>               | \$ 63,266,000           |
| <br>  |                         |
| Total Revenue Bonds and BANs                                  | \$ 7,951,516,000        |
| <br><u>Other Obligations<sup>(4)</sup></u>                    |                         |
| Auxiliary Organization Bonds <sup>(5)</sup>                   | \$ 17,790,000           |
| State Public Works Board Lease Revenue Bonds <sup>(6)</sup>   | 137,350,000             |
| Other Capital Lease Obligations <sup>(6)</sup>                | 101,913,600             |
|   | Total: \$ 8,208,569,600 |

<sup>(1)</sup> Does not reflect expected defeasance of Systemwide Revenue Bonds with proceeds of the Series 2021 Bonds. See “PLAN OF FINANCE - Refunding Plan” in this Official Statement and Appendix H.

<sup>(2)</sup> Includes \$250 million of Series 2016B Bonds, which have fixed term rates through mandatory tender dates of November 1, 2021, 2023 and 2026. Subsequent to remarketings, such bonds may be in similar term rate modes or shorter rate reset periods.

<sup>(3)</sup> Issued in conjunction with a commercial paper program issued by the California State University Institute, an auxiliary organization of CSU, and secured by a subordinate lien on Gross Revenues. See the following discussion under the subheading “Commercial Paper.”

<sup>(4)</sup> Other Obligations are not secured by a pledge of Gross Revenues.

<sup>(5)</sup> For information on CSU auxiliary organizations, see “GOVERNANCE AND ADMINISTRATION—Campus Administration” and “SYSTEMWIDE REVENUE BOND PROGRAMS—Auxiliary Organizations Programs and Other Entities.”

<sup>(6)</sup> Debt that is currently supported by lease payments from the CSU. Does not reflect expected defeasance of certain State Public Works Board Lease Revenue Bonds with proceeds of the Series 2021 Bonds. See “PLAN OF FINANCE – Refunding Plan” in this Official Statement and Appendix H.

Source: California State University

### Commercial Paper

The Board utilizes a commercial paper (“CP”) program for various financing activities through the California State University Institute, an auxiliary organization of CSU (the “Institute”). To minimize debt service costs during construction periods, the Board may initially finance capital improvements with proceeds of commercial paper notes issued by the Institute and which are secured by bond anticipation notes (“BANs”) issued by the Board, certain of which are secured by a subordinate lien on Gross Revenues. Such short-term debt is generally refinanced with long-term fixed rate Systemwide Revenue Bonds when capacity in the commercial paper program is required for other projects or during periods of low interest rates. In a few cases, financing for certain projects may remain in commercial paper and be fully amortized over short to medium term periods from project revenues. The Board may also utilize commercial paper issued by the Institute to finance certain equipment and software needs of CSU as an alternative to other capital lease and installment purchase financing resources. CSU enters into installment purchase obligations and makes installment payments over terms consistent with the useful life of the financed equipment or software (typically 5-7 years). These installment payments are applied to repay the commercial paper.

CP notes are payable from and secured by, among other moneys, amounts drawn in respect of the payment of principal of and accrued interest on such notes under an irrevocable transferable letter of credit issued on a several and not joint basis by State Street Bank and Trust Company, which also serves as administrative agent, and Wells Fargo Bank, National Association, in a stated amount not to exceed \$300 million. The letter of credit has a stated termination date of May 6, 2025, subject, in certain circumstances, to early termination, suspension or extension. The CP program is currently authorized up to \$500 million, subject to any lower limit as set forth in the then-applicable

letter of credit. The Institute expects to operate the CP program at no more than \$300 million through the term of the current letter of credit. The Board and the Institute expect to continue to utilize the CP program for the foreseeable future.

As of June 25, 2021, CP was outstanding for the following purposes:

|                                 |              |
|---------------------------------|--------------|
| BANs                            | \$61,984,000 |
| BANs (Expected to Remain in CP) | 1,282,000    |
| Total                           | \$63,266,000 |

**Authorized but Unissued Debt**

As of June 25, 2021, the Board had Systemwide Revenue Bonds and BANs authorized but unissued in the aggregate principal amount of approximately \$1.23 billion for approved projects. Following the issuance of the Series 2021 Bonds, approximately \$358.4 million will remain authorized but unissued for approved projects. In addition, the Board has authorized Systemwide Revenue Bonds for the purpose of refunding certain bonds of the State Public Works Board not previously refunded. As of June 25, 2021, approximately \$137.4 million of State Public Works Board Lease Revenue Bonds issued for CSU remained outstanding (see Table 6). Approximately \$97 million will remain outstanding following the issuance of the Series 2021 Bonds. The Board may issue all or a portion of these authorized Systemwide Revenue Bonds as well as other additional bonds for other new money projects or refunding purposes. The Board expects to authorize the issuance of additional Systemwide Revenue Bonds from time to time in the future. There is no limit on the amount of Systemwide Revenue Bonds that the Board may authorize.

**Capital Improvement Program**

The Board has a capital improvement program that it approves annually in the Fall for its academic and self-support projects (previously referred to as State and non-State funded facilities) that focuses on a five-year period. For the five-year major capital outlay plan for fiscal years 2021-22 through 2025-26, refer to [https://www2.calstate.edu/csu-system/doing-business-with-the-csu/capital-planning-design-construction/Documents/Multi-Year\\_Plan\\_2021-2026.pdf](https://www2.calstate.edu/csu-system/doing-business-with-the-csu/capital-planning-design-construction/Documents/Multi-Year_Plan_2021-2026.pdf). Additionally, the program may be amended and approved throughout the year by the Board and the Chancellor under delegated authority to reflect the needs and priorities of the campuses. Campus administration works closely with the Chancellor’s Office to identify projects and to justify the project demand and related budgets. The Board anticipates that it will use future borrowings and State funds to fund its capital improvement program.

**SYSTEMWIDE REVENUE BOND PROGRAMS**

**Debt Management Program**

Under the CSU Policy on Financing Activities, originally adopted by the Board in March 2002 and revised in November 2014, responsibility for the management of CSU debt obligations continues to be centralized in the CSU Chancellor’s Office, with oversight and ultimate approval provided by the Board. Debt is planned pursuant to annual funding requirements in accordance with the capital improvement program. Issuance of debt requires approval of the Board or of the Chancellor pursuant to authority delegated by the Board. On March 21, 2018, the Board approved the Standing Orders of the Board to, among other things, authorize the Chancellor to authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of related Systemwide Revenue Bonds Anticipation Notes, and/or the issuance of related debt instruments for projects approved by the Chancellor under delegated authority, as amended from time to time, for, among other things, projects with value up to \$40 million and all new parking structures, regardless of cost.

Historically, the Board has been authorized to issue revenue bonds for self-support programs (non-State) to finance housing, parking, health centers, student body centers, continuing education facilities, and other special projects related to the educational mission of CSU. In March 2002, the Board approved the long-term debt issuance program of systemwide revenue bonds that, together with the then existing housing system bonds issued under a bond resolution adopted by the Board during 1968, constitute the “Systemwide Revenue Bonds.” Under the Board’s financing policy, the Board uses Systemwide Revenue Bonds to finance other projects that previously may have been

financed by auxiliary organizations. Pursuant to the Board's financing policy, the Chancellor has established internal benchmark requirements and guidelines for debt undertaken by an individual campus, such as minimum debt service coverage thresholds for the Systemwide Revenue Bond program. The Board has no outstanding Indebtedness secured by a Senior Lien and has covenanted in the Indenture not to issue any Indebtedness secured by a Senior Lien so long as any Systemwide Revenue Bonds remain outstanding.

In June 2014, the State enacted legislation that granted additional capital financing authorities to CSU. These added authorities include the ability to issue bonds to pay the cost of academic facilities related to CSU's educational mission and pledge the CSU's annual general fund support appropriation, less the amount of that appropriation required to meet State general obligation bond payments and State Public Works Board rental payments, to secure the payment of debt obligations issued by CSU pursuant to the Act. No more than twelve percent of CSU's annual general fund support appropriation, less the amount of that appropriation that is required to fund State general obligation bond payments and State Public Works Board rental payments, may be used for debt service for, or to directly fund, certain capital expenditures. As a result of the added capital authorities, the Board has approved financing for various academic projects with Systemwide Revenue Bonds. These authorities also allow CSU to pledge any other revenues that CSU chooses to pledge to secure the payment of debt obligations issued by CSU pursuant to the Act and provide flexibility to utilize these authorities through the Systemwide Revenue Bond program.

Effective with the issuance of the Series 2016 Bonds in April 2016, Tuition Fee revenues are pledged as security for the Systemwide Revenue Bonds, in addition to fees from student housing, student union, parking, health center facilities, the continuing education program and payments from various auxiliary organizations and special purpose governmental entities. General fund support appropriations from the State are not currently included in Gross Revenues and are not pledged as security for the Systemwide Revenue Bonds. See "SECURITY FOR THE SERIES 2021 BONDS."

The following is a brief description of the programs that currently generate the Gross Revenues. The Board may from time to time designate additional revenue sources as Gross Revenues. Generally, campuses deposit the revenues generated by these programs to the CSU investment program, periodically setting aside appropriate amounts for debt service, and otherwise directly managing the expenditure of such funds in accordance with campus budgets.

### **Housing Program**

Twenty-two of the 23 campuses comprising the CSU System operate housing facilities under the State University Revenue Bond Act of 1947. The responsibility for fiscal management, budgeting and operations with respect to these facilities is given to each respective campus, with the Chancellor's Office retaining overall responsibility for financing activities of the Housing Program and ensuring continuing compliance with bond-related requirements and covenants.

Proposed new housing projects to be financed in whole or in part from proceeds of Systemwide Revenue Bonds are subject to a peer review. The Housing Proposal Review Committee is a standing committee (chaired by a campus president with membership of four campus vice presidents and two campus housing officers representing student housing and faculty/staff housing programs) that evaluates proposed housing projects and provides advice to the Chancellor and the respective campus president on the merits of the project. The scope of the committee review includes both programmatic and financial feasibility.

Certain of the housing facilities under the Housing Program include dining facilities. All or a portion of the revenues from the housing facilities and certain of those dining facilities constitute a portion of the Gross Revenues for the Systemwide Revenue Bonds.

### **Rates and Charges**

The responsibility for the financial viability of the Housing Program on each CSU campus is delegated by the Board to each respective campus president, each of whom has the flexibility and the responsibility to increase housing rental rates and charges as needed.

Table 7 below sets forth average room rates charged for the recent five academic years. In academic year 2020-21, room rates ranged from a high of \$12,540 at the Fullerton campus to a low of \$5,275 at the Fresno campus. Generally, all of the housing rental rates and charges constitute Gross Revenues for the Systemwide Revenue Bonds.

**TABLE 7**  
**CALIFORNIA STATE UNIVERSITY**  
**HOUSING SYSTEM AVERAGE ROOM RATES**  
**2016-17 through 2020-21**

| Academic Year | Average Room Rate <sup>(1)</sup> |
|---------------|----------------------------------|
| 2016-17       | \$7,671                          |
| 2017-18       | 7,960                            |
| 2018-19       | 8,259                            |
| 2019-20       | 8,452                            |
| 2020-21       | 8,605                            |

<sup>(1)</sup> Represents average annual cost of double occupancy for residence halls in the CSU System. The average annual cost of double occupancy for apartments is included if residence hall data is not available.

Source: California State University

**Capacity and Occupancy**

In Fall 2019, the design capacity for the student housing facilities (including auxiliary organizations) was 58,070 spaces with average occupancy rate of 93%. Additionally, 1,378 apartment units in the system were leased. In Fall 2020, the design capacity for the student housing facilities (including auxiliary organizations) was 58,832 spaces, which was approximately 12.1% of the Fall 2020 enrollment for CSU. The average Fall 2020 occupancy rate was 24% due to the impact of the COVID-19 pandemic. Additionally, there are 1,657 leased apartment units in the system. Details related to operational capacity and occupancy by campus for the prior fiscal year is set forth in APPENDIX C — “AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2020” at Schedule 6.

The university’s response to COVID-19 to transition operations from in-person to virtual instruction has led to vacancies in the housing facilities and impacted the Spring 2020, Fall 2020 and Spring 2021 occupancy and revenue. These vacancies may continue until on-campus instruction is fully restored. Commencing Fall 2021, the majority of classes are anticipated to be delivered in person. (Refer to APPENDIX A - “OTHER MATTERS – COVID-19 Developments” below for additional information on the COVID-19 pandemic.)

**Student Union Program**

The Education Code of the State provides that students enrolled at an individual CSU campus may authorize the Board to impose student body center fees (also termed student union fees) by a two-thirds vote approving such fees. Under statutory terms such fees may be used for the purpose of financing, operating, and maintaining student union or student body center facilities. Currently, students at 22 campuses in the CSU System have voted in favor of imposing student union fees.

**Rates and Charges**

Student union annual fees ranged from \$164 to \$878 per student in 2020-21 and are collected at 22 CSU System campuses. All student union annual fee revenues constitute Gross Revenues for the Systemwide Revenue Bonds.

**Operations and Maintenance**

As a matter of practice, with the recommendation of the campus president, the Board contracts with auxiliary organization not-for-profit corporations for most campuses to operate and maintain student unions. See the information below in this section under the subheading “Auxiliary Organizations Program and Other Entities.”



## **Parking Program**

The parking program provides parking facilities to all CSU campuses as authorized under the provisions of the California Education Code. The program is self-supporting and derives its revenues from parking fees paid by students, faculty, staff and visitors.

Consistent with CSU objectives to increase accountability at the campus level, management of all parking program operations is decentralized to each CSU campus. Campus spending of the parking fee revenue is applied to the acquisition, construction, operation, and maintenance of campus parking facilities.

### Parking Utilization

Because of the large number of commuters to CSU campuses each day (in Fall 2020, the design capacity of CSU housing facilities was only 12.1% of the Fall 2020 enrollment), the demand for parking spaces on the campuses continues to be much higher than the number of spaces available. Since parking availability may be limited during peak hours, students are encouraged to utilize alternative transportation options when traveling to campuses and when choosing their housing. As of June 30, 2020, there were approximately 165,808 parking spaces comprising the parking projects designated under the Indenture.

The demand for parking spaces has been temporarily impacted by the COVID-19 pandemic, which called for virtual instruction commencing mid-March 2020. Commencing Fall 2021, the majority of classes are anticipated to be delivered in person. (Refer to APPENDIX A - "OTHER MATTERS – COVID-19 Developments" below for additional information on the COVID-19 pandemic.)

### Rates and Charges

Establishment of parking rates is delegated by the Board to the Chancellor, who further delegates the authority to each respective campus president. Fees for employees and faculty, except the management group employees, however, are subject to certain collective bargaining negotiations. All parking revenues constitute a portion of Gross Revenues for the Systemwide Revenue Bonds.

## **Health Center Facilities Program**

Prior to 1996, the health center facility fee was a uniform fee set at \$6 per academic year and charged at all CSU campuses. In 1996, the Chancellor was delegated authority to establish health center facility fees at a specific campus level. At that time, the \$6 health center facility fee was re-established by the Chancellor for all campuses previously having the Systemwide fee in place. Each campus president has the authority and responsibility to adjust this fee after consultation with the campus community. In accordance with the CSU System policy, the campus president is responsible to set this fee to provide for the repayment of any debt incurred in accordance with applicable CSU System debt management policies. For fiscal year 2020-21, the \$6 health center facility fee was in place at 9 campuses. One campus does not have a health center facility fee, and the rest of the campuses have health center facility fees ranging from \$7 to \$70. The health center facility fee is included in Gross Revenues of the Systemwide Revenue Bond program. Campuses may also charge a separate Health Services fee, which is used to operate the campus student health programs and is not part of Gross Revenues.

## **Professional and Continuing Education (PaCE)**

Since the inception of the CSU System in 1961, CSU has operated PaCE programs as a way to provide educational opportunities that extend beyond both the physical and programmatic boundaries of a traditional college education. The programs, implemented at each of the 23 campuses, are designed to address the unique needs of individuals in pursuing their educational goals, especially those students who otherwise may not be able to complete their goals through a regular university environment. CSU offers a variety of PaCE programs including credit degree and certificate programs, off-campus and online programs, professional development, corporate training and programs for international students. Each campus offers educational programs that meet the needs of their local region as well as a global audience. The Assistant Vice Chancellor/Dean for PaCE at the Chancellor's Office provides leadership and guidance to the campus PaCE units.

## Rates and Charges

PaCE programs are supported entirely by course fees or user fees charged to the respective enrollees. The programs and course offerings are developed on a self-supporting basis so that the fees charged cover the full cost of developing and presenting the course offerings. Fees range in amount depending upon various factors, such as the nature of the course and the materials used. Generally, fees range between \$150 and \$1,000 per unit. The State does not provide direct support for these programs through the budget allocation process, and PaCE must reimburse the State for use of any State-supported facilities or services. All of the course fees and user fees related to the PaCE programs constitute Gross Revenues for the Systemwide Revenue Bonds.

## **Auxiliary Organizations Program and Other Entities**

As described above under “GOVERNANCE AND ADMINISTRATION—Campus Administration,” the Board has a longstanding program of utilizing auxiliary organizations to support a broad range of functions for CSU. In some cases, auxiliary organizations become involved in the financing of campus facilities, such as student and faculty/staff housing, bookstores, food services facilities, academic facilities and event centers, as well as off-campus facilities serving the needs of the campus. Most facilities that were originally financed with auxiliary debt obligations were refinanced with the Systemwide Revenue Bonds, and only one series is currently outstanding. Auxiliary facilities are financed with Systemwide Revenue Bonds using either a lease or loan structure. In the lease structure, the financed facility is leased from the Board, as lessor, to an auxiliary organization or governmental unit, as lessee. Under the terms of the lease, the lessee agrees to operate the facility and to make certain rental payments to the Board, which constitute Gross Revenues under the Indenture. In the loan structure, facilities are financed or refinanced by a loan of Systemwide Revenue Bond proceeds from the Board to the auxiliary organization pursuant to a loan agreement. Under the terms of the loan agreement, in return for the loan from the Board, the auxiliary organization agrees to acquire, construct and/or maintain the facility and to repay the loan to the Board, which repayments constitute Gross Revenues under the Indenture. At the time the lease or loan agreement is entered into, certain auxiliary organizations may have outstanding debt and the obligation to make rental payments or loan repayments to the Board may be on a parity with, or junior and subordinate to, such debt of the auxiliary organization. Upon the issuance of the Series 2021 Bonds, there will be 18 auxiliary organizations with leases or loan agreements with the Board for facilities financed or refinanced with Systemwide Revenue Bonds, with aggregate annual payments for all such leases and loan agreements of approximately \$49,000,000 in fiscal year 2020-21, a \$3 million net increase from the prior year. To date, each such auxiliary organization with facilities financed or refinanced with Systemwide Revenue Bonds has made each of its periodic loan repayments or lease rental payments in accordance with its respective lease or loan agreement with the Board.

Pursuant to the Indenture, the Board may designate an auxiliary organization with a lease or a loan from the Board as a Designated Auxiliary Organization, and its revenues and debt as Designated Auxiliary Revenues and Designated Auxiliary Debt, respectively, and once so designated, such revenues and debt will be included in the rate covenant and additional borrowing test under the Indenture. See “SECURITY FOR THE SERIES 2021 BONDS—Rate Covenant” and “—Parity Lien Indebtedness; No Senior Lien Indebtedness.” There are currently 17 auxiliary organizations that are Designated Auxiliary Organizations with Designated Auxiliary Revenues and Designated Auxiliary Debt; the loan or lease payments made by such auxiliary organizations have been designated as Gross Revenues by the Board.

Additionally, from time to time, certain facilities serving CSU are owned, operated or financed with the participation of special purpose governmental entities. In the past, the lease structure described above has been used by the Board and such governmental entities to finance these facilities with Systemwide Revenue Bonds. There is currently a governmental unit with leases with the Board for such facilities, namely, the California State University Channel Islands Site Authority, with aggregate annual rental payments for all such leases of approximately \$7.2 million in fiscal year 2020-21.

## **Tuition Fees**

Effective April 20, 2016, Tuition Fee revenues are pledged as security for Systemwide Revenue Bonds. See “SECURITY FOR THE SERIES 2021 BONDS.” In 2019-20, Tuition Fee revenue was approximately \$3.36 billion. See Appendix C — “AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS

OF JUNE 30, 2020” at Schedule 5 and [www2.calstate.edu/csu-system/transparency-accountability/Pages/financial-statements.aspx](http://www2.calstate.edu/csu-system/transparency-accountability/Pages/financial-statements.aspx) for prior years’ student tuition and fees.

### **FINANCIAL INFORMATION RELATED TO SYSTEMWIDE REVENUES**

Table 8 below sets forth, for the five fiscal years ended June 30, 2016 through June 30, 2020, (i) the Gross Revenues received and expenditures made with respect to the Projects from which Gross Revenues were produced during these fiscal years and (ii) certain auxiliary organization revenues (some of which are Gross Revenues) and expenditures for auxiliary organizations participating in the Systemwide Revenue Bond program. Throughout these five fiscal years, Gross Revenues included (i) revenues from housing, student union, parking, health center and continuing education programs and (ii) revenues from certain auxiliary organizations, as discussed above. See “SYSTEMWIDE REVENUE BOND PROGRAMS.” Effective April 20, 2016, the Tuition Fee (previously known as the State University Fee), which is the basic enrollment charge paid by all students who attend CSU, was added to the pledge of revenues under the Systemwide Financing Program. See “SECURITY FOR THE SERIES 2021 BONDS.”

Student union/recreation center and health center fee revenues shown in Table 8 do not include revenues derived from operations of student unions/recreation centers or student health centers (which are not a part of Gross Revenues), and student union/recreation center and health center operating expenditures shown in Table 8 include only those expenditures that are paid from the revenues shown. Parking revenues shown in Table 8 do not include fines and forfeitures that are collected separately from parking fees. Parking fines and forfeitures are not part of Gross Revenues.

Table 8 includes the revenues (exclusive of research grant and contract activity and restricted gifts), expenditures and stand-alone (non-Systemwide Revenue Bond) auxiliary debt service for the 17 auxiliary organizations with facilities that had been financed or refinanced with Systemwide Revenue Bond proceeds (as of June 30, 2020), starting with the fiscal year in which each such financing occurred. Only the payments under the leases and loan agreements between the Board and such auxiliary organizations and certain other entities (approximately \$44 million for the fiscal year ended June 30, 2020, and generally equal to the amount needed to pay debt service on the corresponding Systemwide Revenue Bonds) have been designated by the Board as Gross Revenues pledged under the Indenture. However, under each such lease or loan agreement the auxiliary organization makes a broader revenue pledge to the Board (subject to any senior or parity indebtedness of the auxiliary organization) to secure the auxiliary’s obligation to make the lease rental payments or loan repayments. With respect to certain of the auxiliary projects, the Board has the right to increase the amount of lease rental payments or loan repayments if necessary, and therefore cause an additional portion of the auxiliary revenues reflected in Table 8 to be designated as Gross Revenues under the Indenture. In addition, the Board has the right under certain circumstances to direct the use of such auxiliary revenues or take control of the project generating such revenues.

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**TABLE 8**  
**CALIFORNIA STATE UNIVERSITY**  
**HISTORICAL GROSS REVENUES AND EXPENDITURES**  
**(Fiscal Years Ended June 30)**

|   | <u>2016</u>            | <u>2017</u>            | <u>2018</u>            | <u>2019</u>            | <u>2020<sup>(1)</sup></u> |
|---|------------------------|------------------------|------------------------|------------------------|---------------------------|
| Gross Revenues :                                    |                        |                        |                        |                        |                           |
| Tuition fees <sup>(2)</sup>                         | \$3,076,532,676        | \$3,116,566,106        | \$3,350,638,899        | \$3,353,955,800        | \$3,361,162,058           |
| Student Housing                                     | 451,881,471            | 468,503,481            | 502,203,611            | 546,895,408            | 460,682,002               |
| Student Unions/Recreation Centers                   | 223,369,642            | 228,922,251            | 242,513,189            | 253,990,014            | 265,971,316               |
| Parking   | 117,313,997            | 119,976,698            | 124,295,536            | 128,643,579            | 108,874,903               |
| Health Centers                                      | 10,722,889             | 10,858,515             | 11,462,022             | 10,718,717             | 11,028,350                |
| Professional and Continuing Education               | 388,486,999            | 390,084,608            | 401,326,864            | 412,536,561            | 443,956,829               |
| Auxiliary Organizations <sup>(3)</sup>              | 571,404,651            | 597,511,899            | 610,849,343            | 611,923,553            | 529,243,389               |
| Other Related Entity <sup>(4)</sup>                 | <u>12,075,156</u>      | <u>6,651,768</u>       | <u>7,266,997</u>       | <u>7,069,756</u>       | <u>7,181,106</u>          |
| Total Gross Revenues                                | <u>\$4,851,787,481</u> | <u>\$4,939,075,326</u> | <u>\$5,250,556,461</u> | <u>\$5,325,733,388</u> | <u>\$5,188,099,953</u>    |
| Debt Service :                                      |                        |                        |                        |                        |                           |
| Designated Auxiliary Organizations                  | 2,023,793              | 2,017,374              | 2,012,487              | 2,010,368              | 2,010,756                 |
| Systemwide Revenue Bonds <sup>(5)</sup>             | <u>271,610,145</u>     | <u>299,433,842</u>     | <u>361,314,254</u>     | <u>382,001,469</u>     | <u>421,268,061</u>        |
| Total Debt Service                                  | <u>\$273,633,938</u>   | <u>\$301,451,216</u>   | <u>\$363,326,741</u>   | <u>\$384,011,837</u>   | <u>\$423,278,817</u>      |
| Maintenance and Operation Expenses <sup>(6)</sup> : |                        |                        |                        |                        |                           |
| Academic facilities                                 | \$144,023,588          | \$285,871,459          | \$285,045,839          | \$313,261,428          | \$441,683,477             |
| Student Housing                                     | 287,892,582            | 297,320,239            | 354,287,832            | 343,334,078            | 310,823,125               |
| Student Unions/Recreation Centers                   | 102,292,739            | 108,482,999            | 119,436,552            | 121,463,599            | 133,840,504               |
| Parking   | 72,224,778             | 80,714,279             | 82,654,850             | 76,105,229             | 81,158,851                |
| Health Centers                                      | 3,710,459              | 5,295,229              | 5,074,150              | 6,078,808              | 6,113,823                 |
| Professional and Continuing Education               | 387,553,491            | 397,675,380            | 424,672,407            | 408,997,963            | 416,003,974               |
| Auxiliary Organizations <sup>(3)</sup>              | <u>503,833,540</u>     | <u>512,656,989</u>     | <u>523,133,628</u>     | <u>493,907,124</u>     | <u>474,445,986</u>        |
| Total Maintenance and Operation Expenses            | <u>\$1,501,531,177</u> | <u>\$1,688,016,574</u> | <u>\$1,794,305,258</u> | <u>\$1,763,148,229</u> | <u>\$1,864,069,740</u>    |

(1) See Schedule 5 in Appendix C.

(2) As of April 20, 2016, the Tuition Fee was designated by the Board as additional Gross Revenues under the Indenture.

(3) Includes Revenue and expenditures for 17 auxiliary organizations that have financed with Systemwide Revenue Bonds through a lease or loan and exclude research grant and contract activity and restricted gifts. Gross Revenues under the Indenture are a smaller amount derived from payments under certain leases or loans with the Board.

(4) Includes revenues derived from leases with California State University, Channel Islands Site Authority, which are used solely to pay debt service on Systemwide Revenue Bonds; operating expenditures are not paid from Gross Revenues.

(5) Debt service shown excludes interest that has been funded from bond proceeds. Cash subsidy payments from the U.S. Treasury under the Build America Bonds program are not pledged to Systemwide Revenue Bonds and are neither included as Gross Revenues nor deducted from Systemwide Revenue Bonds, Series 2010B (Taxable – Build America Bonds) debt service included in Table 8 above.

(6) Maintenance and operation expenses for the year ended June 30, 2020 include extraordinary maintenance and repair projects, which are generally paid from existing program fund balance of \$154.4 million, other postemployment benefits expense of \$13 million pursuant to GASB Statement No. 75, and pension expense of \$56 million pursuant to GASB Statement No. 68.

Table 9 sets forth the scheduled debt service on all Systemwide Revenue Bonds payable from Gross Revenues on a fiscal year basis, commencing with the fiscal year ending June 30, 2021. The Board may issue additional indebtedness secured on a parity by Gross Revenues under the terms of the Indenture. There is no limit on the maximum principal amount of Systemwide Revenue Bonds that may be issued under the Indenture.

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**TABLE 9**  
**CALIFORNIA STATE UNIVERSITY**  
**DEBT SERVICE PAYABLE FROM GROSS REVENUES**  
**(Following the Issuance of the Series 2021 Bonds)**

Previous Systemwide Revenue Bonds<sup>(1)</sup>

| Fiscal Year<br>Ending June 30 | Including Refunded<br>Bond Debt Service <sup>(2)</sup> | Refunded Bond<br>Debt Service | Excluding<br>Refunded Bond<br>Debt Service | Series 2021 Bonds<br>Debt Service | Total Systemwide<br>Revenue Bonds <sup>(1)</sup> |
|-------------------------------|--|-------------------------------|--|-----------------------------------|--|
| 2021                          | \$ 493,376,180   | --                            | \$493,376,180                              | --                                | \$ 493,376,180                                   |
| 2022                          | 502,045,427  | \$ 35,880,625                 | 466,164,802                                | \$ 39,630,827                     | 505,795,629                                      |
| 2023                          | 503,429,639  | 35,880,625                    | 467,549,014                                | 54,413,007                        | 521,962,021                                      |
| 2024                          | 517,844,427  | 35,880,625                    | 481,963,802                                | 55,477,012                        | 537,440,814                                      |
| 2025                          | 515,796,273  | 67,704,625                    | 448,091,648                                | 88,241,172                        | 536,332,820                                      |
| 2026                          | 509,769,189  | 74,296,750                    | 435,472,439                                | 105,927,012                       | 541,399,451                                      |
| 2027                          | 523,315,846  | 73,300,875                    | 450,014,971                                | 101,102,002                       | 551,116,973                                      |
| 2028                          | 521,660,892  | 72,392,125                    | 449,268,767                                | 100,120,892                       | 549,389,659                                      |
| 2029                          | 521,004,226  | 72,382,250                    | 448,621,976                                | 100,138,961                       | 548,760,937                                      |
| 2030                          | 519,125,724  | 72,393,250                    | 446,732,474                                | 100,130,114                       | 546,862,588                                      |
| 2031                          | 516,156,145  | 72,383,613                    | 443,772,532                                | 100,126,628                       | 543,899,160                                      |
| 2032                          | 509,190,326  | 69,776,975                    | 439,413,351                                | 97,541,591                        | 536,954,942                                      |
| 2033                          | 491,362,591  | 63,813,725                    | 427,548,866                                | 91,671,177                        | 519,220,043                                      |
| 2034                          | 471,595,686  | 62,010,350                    | 409,585,336                                | 89,895,514                        | 499,480,850                                      |
| 2035                          | 466,212,059  | 61,988,350                    | 404,223,709                                | 89,886,200                        | 494,109,909                                      |
| 2036                          | 465,418,867  | 59,658,800                    | 405,760,067                                | 86,891,921                        | 492,651,988                                      |
| 2037                          | 434,072,048  | 37,882,350                    | 396,189,698                                | 65,553,677                        | 461,743,375                                      |
| 2038                          | 431,667,539  | 37,883,775                    | 393,783,764                                | 65,575,164                        | 459,358,928                                      |
| 2039                          | 419,104,655  | 32,168,425                    | 386,936,230                                | 60,049,226                        | 446,985,456                                      |
| 2040                          | 389,765,824  | 18,304,000                    | 371,461,824                                | 90,549,527                        | 462,011,351                                      |
| 2041                          | 406,662,776  | 18,306,500                    | 388,356,276                                | 90,554,604                        | 478,910,880                                      |
| 2042                          | 381,439,864  | 18,307,125                    | 363,132,739                                | 90,544,460                        | 453,677,199                                      |
| 2043                          | 364,991,309  | 18,309,000                    | 346,682,309                                | 90,526,610                        | 437,208,919                                      |
| 2044                          | 346,396,436  | 18,310,125                    | 328,086,311                                | 90,543,589                        | 418,629,900                                      |
| 2045                          | 342,626,933  | 16,148,875                    | 326,478,058                                | 88,506,064                        | 414,984,122                                      |
| 2046                          | 321,037,493  | --                            | 321,037,493                                | 73,357,030                        | 394,394,523                                      |
| 2047                          | 318,015,714  | --                            | 318,015,714                                | 73,367,369                        | 391,383,083                                      |
| 2048                          | 289,130,523  | --                            | 289,130,523                                | 73,348,505                        | 362,479,028                                      |
| 2049                          | 220,987,864  | --                            | 220,987,864                                | 73,359,009                        | 294,346,873                                      |
| 2050                          | 214,385,825  | --                            | 214,385,825                                | 73,352,237                        | 287,738,062                                      |
| 2051                          | 198,728,750  | --                            | 198,728,750                                | 73,351,844                        | 272,080,594                                      |
| 2052                          | 183,335,248  | --                            | 183,335,248                                | 73,356,111                        | 256,691,359                                      |
| 2053                          | 15,230,627   | --                            | 15,230,627                                 | 71,063,348                        | 86,293,975                                       |
| 2054                          | 15,230,950   | --                            | 15,230,950                                 | --                                | 15,230,950                                       |
| 2055                          | 15,229,235   | --                            | 15,229,235                                 | --                                | 15,229,235                                       |
| 2056                          | 15,230,071   | --                            | 15,230,071                                 | --                                | 15,230,071                                       |
| 2057                          | 15,232,999   | --                            | 15,232,999                                 | --                                | 15,232,999                                       |
| 2058                          | 15,232,626   | --                            | 15,232,626                                 | --                                | 15,232,626                                       |
| 2059                          | 15,233,544   | --                            | 15,233,544                                 | --                                | 15,233,544                                       |
| 2060                          | 15,230,358   | --                            | 15,230,358                                 | --                                | 15,230,358                                       |
| 2061                          | 15,232,601   | --                            | 15,232,601                                 | --                                | 15,232,601                                       |
| <b>TOTALS<sup>(3)</sup></b>   | <b>\$13,460,866,975</b>                                | <b>\$1,145,363,738</b>        | <b>\$12,301,371,571</b>                    | <b>\$2,618,152,404</b>            | <b>\$14,919,523,975</b>                          |

<sup>(1)</sup> Includes interest funded from bond proceeds and thus differs from the information reflected in Table 8. Does not include any deduction for the federal subsidy associated with the Systemwide Revenue Bonds, Series 2010B (Taxable – Build America Bonds).

<sup>(2)</sup> Reflects July 2021 remarketing of the Series 2016B-2 Bonds and assumes remarketing of \$250 million mandatory tender bonds between 2023 and 2026 at assumed rates ranging from 3.25% to 3.50% following the respective scheduled mandatory tender dates. The remarketing of the \$100 million Series 2016B-2 Bonds is taking place concurrently with the sale and issuance of the Series 2021 Bonds. In the event of a failure to remarket such mandatory tender bonds, any such bonds not purchased would bear interest from the tender to the date redeemed or paid at 6% for the period of 0 to 89 days from the tender date and at 8% 90 days and thereafter. Such mandatory tender bonds mature or are subject to sinking redemption between November 1, 2045 and November 1, 2051.

<sup>(3)</sup> Totals reflect rounding.

## Financial Statements Related to Gross Revenues

The most recent audited financial statements of the California State University, as of June 30, 2020, are attached to this Official Statement as Appendix C. Schedules 5 through 7 to the audited financial statements contain certain information related to the Systemwide Revenue Bond Program.

## GENERAL CSU FINANCIAL INFORMATION

### Budgeting Process

Each Fall the Board approves a budget request and sends it to the State Department of Finance for the coming fiscal year as input for development of the Governor's Budget. The Board's proposed budget identifies a base funding level built on prior year costs for full-time equivalent student enrollment targets, mandatory cost increases, costs generated by changes in programs, and funding needs for capital projects. The Board annually approves capital project plans for self-supporting programs and academic projects, including those of the Systemwide Revenue Bond program, in a rolling five-year capital outlay program plan.

#### Governor's Budget/Budget Act

The Governor's Budget, with input from CSU and other State agencies, is usually developed and presented to the State Legislature each January and then revised in early May. The Governor's Budget is usually debated during legislative hearings each Spring and in June the State Legislature is required by California law to send its own recommended budget back to the Governor. At that point, the Governor may delete, but not add, funded items. A two-thirds vote by the State Legislature can override the Governor's veto of funds. Following the Governor's action, if any, on the State Legislature's recommended budget, it becomes final as the "State Budget Act."

#### Negotiations with the State and Legislative Budget Hearings

Throughout the year, CSU staff engages in discussion of issues and priorities with staff in the State Department of Finance, the Legislative Analyst's Office, and the Legislative committee. Usually in February, the Legislative Analyst publishes an analysis of, and recommendations for legislative action on, the Governor's Budget. This analysis is the principal agenda for the legislative hearings, including hearings on the budget recommended for CSU by the Governor. Differences between the two houses of the State Legislature are resolved in a conference committee, after which the budget is returned to the Governor for the action noted above.

#### Allocations to Campuses

The Chancellor's Office informs all CSU campuses of the Governor's budget decisions, at which time preliminary allocations may be identified for planning purposes. Final allocations are usually made by the Chancellor's Office promptly after the State Budget Act is signed.

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**State Budget Acts for Recent Fiscal Years**

The State has provided funding increases to CSU for fiscal years 2012-13 through 2019-20. In fiscal year 2020-21, State funding decreased by approximately 8.5%. If approved, the funding will increase again in fiscal year 2021-22 (Refer to APPENDIX A - “GENERAL CSU FINANCIAL INFORMATION - Governor’s Proposed Budget for Fiscal Year 2021-22” below). Table 10 below shows funding from the State to CSU over the most recent five fiscal years. The annual State appropriations reflect the CSU’s base budget, which is ongoing State funding, and does not include any one-time funding.

**TABLE 10**  
**CALIFORNIA STATE UNIVERSITY**  
**ANNUAL APPROPRIATIONS FROM THE STATE OF CALIFORNIA**  
**2016-17 through 2020-21**  
(in millions)

|                               | <u>2016-17<sup>(1)</sup></u> | <u>2017-18<sup>(2)</sup></u> | <u>2018-19<sup>(3)</sup></u> | <u>2019-20<sup>(4)</sup></u> | <u>2020-21<sup>(5)</sup></u> |
|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Annual State<br>Appropriation | \$3,206                      | \$3,430                      | \$3,650                      | \$4,022                      | \$3,682                      |

- <sup>(1)</sup> Does not include one-time funding of \$35 million for capital needs or one-time funding of \$35 million for student success initiatives.
- <sup>(2)</sup> Includes \$2 million in the first year of a 10-year program to fund road maintenance and rehabilitation projects. Does not include \$22 million in one-time funding, of which \$12.5 million is allocated for Graduation Initiative 2025.
- <sup>(3)</sup> Includes \$2 million in the second year of a 10-year program to fund road maintenance and rehabilitation projects. Does not include \$126.6 million in one-time funding from the General Fund appropriation for enrollment growth and various programs, and \$35 million in one-time funding for deferred maintenance.
- <sup>(4)</sup> Includes \$2 million in the third year of a 10-year program to fund road maintenance and rehabilitation projects. Does not include \$321.2 million in one-time funding from the General Fund appropriation for deferred maintenance, graduation initiative, basic needs partnerships and various programs.
- <sup>(5)</sup> Includes \$2 million in the fourth year of a 10-year program to fund road maintenance and rehabilitation projects. Does not include \$6 million in one-time funding for various programs.

**Governor’s Proposed Budget for Fiscal Year 2021-22**

In January 2021, the Governor proposed \$144.5 million in new recurring General Fund and \$225 million in one-time funds, including deferred maintenance, facility improvement projects and student emergency assistance grants.

In addition to the January proposals, in the May 2021 revision the Governor proposed a restoration of the \$299 million recurring General Fund reduction, pursuant to the Budget Act of 2020, as well as \$74.4 million in new recurring General Fund and \$25 million in recurring General Fund to support the addition of academic programs offered with the transition of Humboldt State University to a polytechnic designation. The Governor also proposed one-time General Fund budget of \$433 million to support a capital projects plan to transition the Humboldt campus to a polytechnic university, an additional \$150 million for deferred maintenance and \$25 million to support construction of the CSU Northridge Center for Equity in Innovation and Technology.

As part of the fiscal year 2021-22 final budget negotiations, the Governor and State Legislature agreed to \$550.2 million in new, recurring General Fund support for CSU, which includes the restoration of the \$299 million recurring General Fund support reduction from the Budget Act of 2020, as well as \$25 million in recurring General Fund support for the addition of academic programs offered with the transition of Humboldt State University to a polytechnic designation. The Governor and State Legislature also agreed to \$976.3 million of one-time funds, which includes augmentations for deferred maintenance projects (\$325 million), as well as funds for the transition of Humboldt State University to a polytechnic university (\$433 million) and for the establishment of a Center for Equity in Innovation and Technology at California State University, Northridge (\$25 million), among others. Altogether, it is expected that the approved Budget Act of 2021 will include a total of \$4.228 billion for CSU from the General Fund for fiscal year 2021-22 (not including the anticipated \$976.3 million of one-time funds).

## CSU Financial Statements

The most recent audited financial statements of CSU are attached to this Official Statement. See Appendix C — “AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2020.” The audited financial statements are customarily presented to the Board annually for formal acceptance, typically during the Board’s first or second meeting of the year. The audited financial statements for fiscal year 2019-20, attached hereto as Appendix C, were presented to the Board during its regularly scheduled meeting held March 23, 2021 and are final. The audited financial statements are included as general background concerning the CSU System and provide certain information regarding Gross Revenues. The Series 2021 Bonds are secured solely by the Gross Revenues specifically pledged for repayment of principal and interest on the Series 2021 Bonds. No other assets or revenues of CSU are pledged to the repayment of the Series 2021 Bonds. See “SECURITY FOR THE SERIES 2021 BONDS.”

## CSU Grants, Contracts and Fundraising Activity

Table 11 below sets forth the grant and contract proceeds received by CSU and fundraising activity of CSU for fiscal years ended June 30, 2016 to 2020. Amounts shown are not included as part of the Gross Revenues and generally are restricted to specified uses.

**TABLE 11**  
**CALIFORNIA STATE UNIVERSITY**  
**GRANTS, CONTRACTS AND FUNDRAISING ACTIVITY<sup>(1)</sup>**  
**2015-16 through 2019-20**  
**(in millions)**

| <u>Sources</u>                       | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Federal grants and contracts         | \$1,381        | \$1,393        | \$1,505        | \$1,542        | \$1,799        |
| State and local grants and contracts | 795            | 844            | 953            | 986            | 1,050          |
| Private gifts, grants and contracts  | <u>352</u>     | <u>329</u>     | <u>344</u>     | <u>366</u>     | <u>325</u>     |
| Total                                | <u>\$2,528</u> | <u>\$2,566</u> | <u>\$2,802</u> | <u>\$2,894</u> | <u>\$3,174</u> |

<sup>(1)</sup> Includes Auxiliary Organizations.  
Source: California State University

## CSU Endowment Assets

As of June 30, 2020, the market value of the endowment assets of CSU and its related foundations was approximately \$1.81 billion, an increase from approximately \$1.72 billion as of June 30, 2019. The market value of the endowment assets of CSU and its related foundations as of June 30, 2018, June 30, 2017, and June 30, 2016 were approximately \$1.62 billion, \$1.51 billion, and \$1.31 billion, respectively. Changes in the market value of the endowment assets of CSU and its related foundations over the last five fiscal years have been primarily a result of movements in the financial markets. Because CSU does not rely significantly upon endowment funds to meet its operating needs, changes in the market value of CSU endowment assets are not expected to have a material impact on CSU operations. Furthermore, because endowment funds are not part of the Gross Revenues, changes in the market value of CSU endowment assets are not expected to have any effect on the Board’s ability to pay the principal of, premium, if any, and interest on the Series 2021 Bonds when due.

## OTHER MATTERS

### Insurance

CSU has elected to commercially insure property with deductibles; self-insure its general liability and errors & omissions liability; and self-insure its workers’ compensation exposures. Further, CSU procures excess and/or



reinsurance on its general and errors & omissions liability as well as workers' compensation to provide coverage for large losses. CSU's vehicle liability is self-insured by the State's vehicle liability self-insurance program. As a State agency, CSU, the Office of the Chancellor, the Board, and its system of campuses are included in these insurance and self-insured programs.

The office of Risk Management in the Chancellor's Office administers the property, general liability and workers' compensation programs. The State Office of Risk and Insurance Management administers the motor vehicle liability program.

The current coverage limits for CSU's insurance programs are as follows:

Property: \$1,000,000,000 per occurrence (excluding earthquake), deductibles ranging from \$100,000 to \$1,000,000.

General Liability: \$200,000,000 per occurrence for fiscal year 2020-21 and \$225,000,000 per occurrence for fiscal year 2021-22; Self-Insured Retention ranging from \$50,000 to \$900,000.

Workers' Compensation: Statutory benefits and \$5 million for Employers Liability. As of January 1, 2015, the CSU has offset its self-insured exposure by placing primary workers' compensation coverage through risk transfer to the Public Risk Innovation, Solutions, and Management (PRISM).

Under the Employers Liability insurance, the State and its employees (as defined in Section 810.2 of the Government Code) are insured for any tort liability that may develop through carrying out official activities, including State official operations on non-State owned property.

## **Climate Change**

The CSU, like many other institutions in California, has experienced the impact of unpredictable changes in environmental conditions and climate change-induced events that include wildfires, heat waves and extreme storm events. Because CSU campuses are located throughout the state, campuses may face differing challenges as a result of climate change, including but not limited to impacts from extreme or variable temperatures, soil erosion, fires, reduced air quality, drought and/or flood conditions. Coordinated campus response efforts, insurance coverage, and internal resources have mitigated the financial and physical impacts to campuses. CSU is working on providing climate informed guidelines to increase functionality and survivability of infrastructure in new climate conditions. The CSU is committed to adapting campuses and building systemwide resiliency to mitigate these risks and to ensure the continuity of operations and long-term viability at its campuses. The CSU has implemented a policy that when campus master plans are updated, climate impacts are included in the new master plans. The CSU also adopted systemwide policies in 2014 and produced a sustainability report in 2018 addressing Climate Action and Adaptation Planning along with recommendations for future reporting and policy analyses. These events have not posed a material impact to the CSU or to the Systemwide Revenue Bond program thus far, however the future fiscal impact of climate change on the CSU is difficult to predict and could be significant.

## **Sustainability and Greenhouse Gas Reduction**

All 23 campuses are registered members of the Association for the Advancement of Sustainability in Higher Education (AASHE), and participate in the transparent, publicly accessible, self-reported framework that higher education institutions can use to measure their sustainability performance, known as the Sustainability Tracking, Assessment, & Rating System (STARS). Participants in STARS, identify certain areas or "credits" in various categories to pursue. These categories include: Academics, Engagement, Operations, Planning & Administration and Innovation & Leadership. Points are assigned for achievements in these credits, and one of six ratings may be assigned based on these points. STARS reporting supports carbon neutrality goals and maintains CSU's good standing as a partner state agency for climate action. Of the 22 STARS reporting units in the CSU, 5 are rated gold and 9 are rated silver. STARS reporting supports carbon neutrality goals and maintains CSU's good standing as a partner state agency for climate action.

Within the Operations category in STARS, buildings and transportation account for the largest share of the CSU's carbon emissions. As such, CSU has developed a portfolio of campus resources aimed to reduce carbon emissions within the following targeted scopes: Direct (Scope 1), Indirect (Scope 2), Supply Chain (Scope 3), and Embedded Greenhouse Gas (GHG) Emissions (Scope 4). The following highlights critical frameworks and toolkits accessible to campus staff:

- Building Decarbonization Framework
- Model energy projects procurement
- Clean Energy Optimization Pilot (CEOP)
- Microgrid Readiness Roadmap
- Automobile Emissions Reductions: Transportation Policy Toolkit
- Streamlined reporting to Department of General Services for Environmental Product Declarations (EPDs)

CSU has been a reporter to CalEPA for waste minimization and diversion from landfills for more than 10 years. To meet the state's goals of waste diversion from landfill, CSU and campuses have taken steps to reduce waste. These measures include implementing a CSU single-use plastics policy that eliminates or reduces plastic straws, bottles, shopping bags, and dining services and Styrofoam packaging, and programs that work to prevent edible food from reaching the landfill by collecting and making accessible the food and giving access to students in need through campus food pantries.

The CSU Sustainability Policy (adopted in 2014) calls for 20% reduction of water use. CSU has held to that commitment and is consistently 15-20% below its 2013 baseline year despite increasing student enrollment and employee population, and growing campus facilities and infrastructure. This has been possible as the result of water conservation and infrastructure projects, and supportive research, educational and advocacy initiatives across the CSU.

## **Cybersecurity**

The CSU recognizes that cyber threats may take many forms and are constantly evolving. Like many other large public entities, the CSU and individual campuses rely on a large and complex technological environment to conduct its operations. As a recipient and provider of personal, private, and/or other sensitive information, CSU faces a variety of risks to its networks and systems, including but not limited to hacking, viruses, malware and other intrusions on its networks and systems. The CSU has developed and invested in multiple forms of cybersecurity and operational controls, including systemwide policies and procedures for incident management. The Information Security Management department of the CSU System is led by a Chief Information Security Officer, who is tasked with providing leadership for the overall CSU Information Security Program and campuses. No assurances can be given that the CSU's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact CSU's operations or finances.

## **COVID-19 Developments**

On March 4, 2020, the Governor of California (the "Governor") declared a state of emergency to help the State of California (the "State") prepare and respond to a new disease commonly known as COVID-19 caused by a novel strain of coronavirus. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and on March 13, 2020 the President of the United States declared a national state of emergency. On March 19, 2020, the Governor issued a statewide order, Executive Order N-33-20, directing all residents of the State to heed current State public health directives and to stay home, or stay at their place of residence, except as needed to maintain continuity of operations of critical infrastructure sectors during the COVID-19 response. On April 14, 2020, the Governor announced the key indicators that would guide the State's reopening process, and on April 28, 2020 outlined a phased reopening plan, providing for a gradual modification of the statewide stay-at-home order on a region by region basis. By the end of May 2020, the majority of counties within the State had met the initial requirements to move into the earliest phases of the plan, involving the gradual reopening of primarily certain retail and manufacturing businesses deemed lower risk, and public spaces.

CSU has been closely monitoring the impact of the COVID-19 pandemic throughout the State and on the CSU community. Chancellor White delayed his retirement, originally scheduled for June 30, 2020, to the end of the calendar year in order to maintain stability and continuity of leadership during the COVID-19 pandemic. In mid-March 2020, in response to the rapidly emerging COVID-19 pandemic, CSU transitioned courses, academic support, and student services to virtual modalities in an expedited manner, which varied from campus to campus, in an effort to limit face-to-face instruction, instructional lab activities and group seminars for the remainder of the academic term. On May 12, 2020, CSU announced plans to deliver courses virtually for the Fall 2020 term, with limited exceptions for in-person teaching, learning, and research activities that could not be delivered virtually, subject to safety considerations. In December 2020, the CSU announced plans to return delivering courses primarily in-person starting in the fall term 2021. In April 2021, CSU announced the intention of a vaccination requirement to require faculty, staff and students who are accessing campus facilities at any university location to be immunized against SARS-Cov-2, the virus that causes COVID-19. The requirement will be conditional upon full approval of one or more vaccines by the U.S. Food and Drug Administration and adequate availability. The requirement would become effective at the beginning of the fall 2021 term. CSU is evaluating the most successful best practices and innovations to support students and faculty. Campuses will most likely continue to support the development of a mix of online, hybrid and “Hy-Flex” courses in order to deliver both on-site and simultaneously provide off-site for those that do not or cannot come to in person class. The level of hybrid approaches will vary across the 23 campuses due to specific context and circumstances. Given the uncertainty over the progression of COVID-19, planning is complex, ongoing, and will be formed by evolving regional data and circumstances.

A website (<https://www2.calstate.edu/coronavirus>) has been established with additional links to campus specific information to provide information to students, parents, faculty, and staff about the impact of COVID-19. The information on such website and links therefrom are expressly not incorporated herein. All CSU campuses have emergency preparedness plans and policies in place that include pandemic responses to address challenges and disruptions relating to the COVID-19 outbreak. In addition, CSU received funds allocated for higher education relief under the federal Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) and American Rescue Plan (ARP) collectively referred to as Higher Education Emergency Relief Fund (HEERF). The U.S. Department of Education provided grants directly to CSU campuses. Overall, these programs provided approximately \$76.3 billion nationally to institutions of higher education, and the CSU will receive approximately \$1.8 billion of this one-time funding to reimburse campuses for previously incurred COVID-19-related expenses and lost revenue (i.e. operations and enterprises) or issue additional student emergency grants. In addition, approximately \$1.3 billion of HEERF funds has been designated for emergency grants to students experiencing financial hardship due to COVID-19, which are in the process of being distributed to students along with other campus grants and awards.

Because of the impact of COVID-19 on the State’s financial resources, the Governor included a \$299 million reduction in the State’s ongoing general fund support appropriation to the CSU for the 2020-21 fiscal year. Given the State’s strong economic recovery over the past year, the Governor proposed to fully restore the \$299 million reduction for the 2021-22 budget year. (Refer to Appendix A – “GENERAL CSU FINANCIAL INFORMATION – State Budget for Fiscal Year 2020-21”).

Between April and December 2020, a total of eight putative class action complaints were filed by or on behalf of the CSU students against CSU in state and federal court, seeking refunds of tuition and fees collected in the Spring 2020 term and thereafter. Collectively, the plaintiffs asserted claims for breach of contract, unjust enrichment conversion, violation of the Takings Clause of the Constitution of the United States, and other related claims, contending that students did not receive the full benefit of tuition and student fees paid because of the CSU’s response to the COVID-19 pandemic. Each plaintiff requests certification of the class and a pro rata refund of all tuition and fees or a combination thereof, from the date each campus transitioned to virtual instruction until such time as instruction returns to in-person. The three federal court cases have been dismissed; two were dismissed in response to CSU’s motions to dismiss, and one was voluntarily dismissed. CSU’s motion to dismiss the five state court cases was granted, but with leave to amend, which gives the plaintiffs a second chance to attempt to plead viable claims. The court will hear CSU’s challenges to the next version of the lawsuits in July 2021. The CSU is unable to predict the outcome of these matters or the ultimate legal and financial liability and at this time cannot reasonably estimate the possible loss or range of loss in the event of any judgment against CSU. Similar lawsuits have been filed against many other institutions of higher education. The CSU intends to vigorously defend the lawsuits.

The CSU will continue to closely monitor the COVID-19 situation and will adjust its policies as needed. The CSU will also continue to comply with guidance that may be forthcoming from federal, state, and local officials regarding COVID-19. The CSU is unable to predict or ascertain the impacts of: (i) the duration and future of COVID-19 pandemic-related impacts on the CSU; (ii) future changes to the State's financial resources and support for the CSU and other institutions; (iii) future federal government funding; (iv) whether any additional lawsuits will be filed against the CSU and any legal and financial liability; (v) the long-term impacts of COVID-19 on enrollment, instruction mode, finances, operations and for higher education in general. However, the CSU does not expect that the COVID-19 pandemic will have a material adverse effect on its ability to meet the debt service obligations under the Systemwide Revenue Bond program.

### **Audits and Compliance Reviews**

At all times, including the date of this Official Statement, there are audits and compliance reviews that arise in the normal course of CSU's activities. Such audits and compliance reviews may relate to any activity at CSU, and may be conducted by persons within or outside CSU, including but not limited to the CSU division of Audit and Advisory Services, the California State Auditor, external auditors, and a variety of other federal and State governmental agencies. At the time of this Official Statement, the Board is not aware of any completed or pending audit or review concerning matters that are likely to have a material adverse effect on the Board's ability to pay the principal of and interest on the Systemwide Revenue Bonds when due.

### **Seismicity**

New and renovated buildings designed for CSU adhere to the latest seismic requirements as detailed in Title 24 of the California Code of Regulations. CSU maintains a standing body of seismic engineers collectively known as the Seismic Review Board to advise on earthquake related construction matters relative to its systemwide capital program. Each capital project involving structural elements undergoes seismic peer review by a member of this board as an additional measure beyond the building code plan check review that also occurs for each project. Seismic peer review is an objective technical review by an independent, knowledgeable reviewer experienced in the structural design, analysis and performance issues involved. The purpose of the seismic review is to assure project quality and provide a measure of additional assurance regarding code compliance, best practices and the performance and safety of the completed project relative to CSU standards.

CSU currently purchases limited parametric earthquake coverage with a maximum benefit of \$25,000,000 in aggregate.

### **Labor Relations**

There are approximately 62,716 CSU employees, including those represented by bargaining units and non-represented employees. Exclusive bargaining unit representatives include:

- The California Federation of the Union of American Physicians and Dentists ("UAPD")
- California State University Employees Union ("CSUEU")
- California Faculty Association ("CFA")
- Academic Professionals of California, Local 1002 ("APC")
- Teamsters Local 2010 ("Teamsters 2010")
- Statewide University Police Association ("SUPA")
- International Union of Operating Engineers, Local 39, AFL-CIO ("IUOE")

- International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, AFL-CIO and its Local Union 4123 (“UAW”)
- CSUEU English Language Program Instructors, CSU LA
- CSUEU English Language Program Instructors, CSU Monterey Bay

The UAPD has an agreement with CSU covering the terms and conditions of employment for its members, the Physicians unit, that will expire on June 30, 2022. Employees in the Health Care Support, Operations & Support Services, Clerical/Administrative Support Services, and Technical & Support Services units are represented by CSUEU, which has an agreement with the CSU covering the terms and conditions of employment that will expire on June 30, 2022. CSUEU also represents the English Language Program Instructors at Cal State Los Angeles, which negotiated a contract with CSU that will expire on June 30, 2024, and American Language and Cultural Program Instructors, CSU Monterey Bay, which negotiated a contract with CSU that expires on June 30, 2022. The contract for CFA, exclusive representative for the Faculty unit, was set to expire on June 30, 2021, but the parties entered into a contract extension that will expire August 31, 2021; negotiations for a successor agreement are in progress. APC, exclusive representative for employees in the Academic Support unit, entered into a contract with the CSU that will expire on June 30, 2022. The contract between CSU and Teamsters 210, which represents employees in the Skilled Crafts unit, will expire on June 30, 2022. The contract for SUPA, exclusive representative for employees in the Public Safety unit, will expire on June 30, 2022. The IUOE, which represents trades workers at the California Maritime Academy have a contract extension with CSU that will expire on August 31, 2021; negotiations between IUOE and CSU for a successor agreement are in progress. The contract between the UAW, the exclusive representative for academic student employees, and CSU, expires on September 30, 2021.

## **Retirement System**

The CSU, as an agency of the State, contributes to a pension plan administered by the Board of Administration of the California Public Employees Retirement System (“CalPERS”). The State’s pension plan with CalPERS is an agent multiple-employer defined-benefit pension plan (State Miscellaneous Tier 1 Plan and Peace Officers & Firefighters Plan) and CalPERS functions as an investment and administrative agent for its members. For CSU, the pension plan acts as a cost sharing multiple-employer defined-benefit pension plan, which provides a defined-benefit pension and postretirement program for substantially all eligible CSU employees. The plan also provides for survivor, death, and disability benefits.

In general, full-time employees of CSU, who are employed to work for more than six months and part-time employees averaging 20 hours per week for one year participate in the CalPERS pension plan, which is a statewide retirement system governed and operated pursuant to Part 3 (commencing with Section 20000), Division 5, Title 2 of the California Government Code.

CalPERS retirement benefits are funded from employer-paid contributions, employee contributions, and the plan’s investment earnings. CalPERS employer contribution rates applicable to CSU (along with other state agencies) are based upon actuarial studies and are adjusted each year by CalPERS in order to meet defined pension benefit obligations. California Government Code Section 20814 states that “the Governor shall include the contribution rates adopted by the board for the liability of benefits on account of employees of the State” (General Fund supported salaries), and “the Legislature shall adopt the board contribution rates and authorize the appropriation in the Budget Act.” The majority of CSU CalPERS eligible employees are in the State Miscellaneous Tier 1 category. Employees in Miscellaneous Tier 1 category with a start date prior to January 1, 2013 contribute 5 percent of annual compensation in excess of \$513 per month to CalPERS. For employees in Miscellaneous Tier 1 that have a start date of January 1, 2013 or later and fall under the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”), Government Code Sections 7522.74, the contribution rates were 7.25 percent in the 2019-20 fiscal year and are 7.25 percent in the 2020-21 fiscal year. Per Government Code Section 7522.30 under PEPRA, equal sharing of normal costs between public employers and public employees shall be the standard. The standard shall be that employees pay at least 50 percent of “normal costs” determined by an annual actuarial valuation.

CSU’s total employer contribution to CalPERS from all funds (i.e., General Fund, Trust Operating Fund, CSU Lottery Education Fund, Professional and Continuing Education Revenue Fund, and Dormitory Revenue

Fund--Housing and Parking) totaled approximately \$1,011,518,000 in fiscal year 2019-20 (reported as deferred outflows of resources as of June 30, 2020). See Appendix C — “AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2020” at Note (12).

The size of CalPERS’ unfunded pension varies from year to year and is affected by various factors, including investment returns, benefit levels, and the number of retirees compared to active employees. The funding level for the CalPERS Public Employees’ Retirement Fund was 70.2 percent as of June 30, 2019. Based on estimated discount rate of 7.0 percent and a 4.7 percent investment return for fiscal year 2019-20, the funded status was estimated to be 70.6 percent for fiscal year 2019-20. Also, per Government Code Section 20683.2 which changed the contribution rates of many State CalPERS members, savings realized by the State employer as a result of the employee contribution rate increases shall be allocated towards unfunded liability, subject to appropriation in the annual Budget Act. Additional statutory contributions have been made in fiscal years 2017-18, 2018-19, and 2019-20 and are scheduled for fiscal year 2020-21. In fiscal year 2017-18, the State made an additional \$6 billion supplemental contribution to CalPERS to reduce pension liability, of which \$876,842,000 was made on behalf of CSU. The CSU is required to repay \$156,283,000 of this amount through June 30, 2030, while the remainder was recognized as State appropriations, noncapital, in 2018. As of June 30, 2020, the outstanding amount to be repaid by the CSU is \$133,419,000.

Further, there was a change in the level of State funded retirement expenses due to the provisions in the State Budget Act for fiscal year 2013-14 to freeze the CSU salary base to the actual fiscal year 2013-14 pensionable payroll for purposes of calculating annual CalPERS retirement adjustments beginning in fiscal year 2014-15. To date, the CSU administration has not experienced a material impact on CSU operations, Gross Revenues, or the Board’s ability to pay the principal of, premium, if any, and interest on Systemwide Revenue Bonds when due. Additional information concerning CalPERS may be found on its website at <https://www.calpers.ca.gov/>. The information on the CALPERS website is not incorporated herein and CSU takes no responsibility for the information on the website.

Net pension liability is measured as CSU’s proportionate share of the State’s total pension liability, less its proportionate share of the pension plan’s fiduciary net position. The net pension liability amounted to \$8,190,770,000 as of June 30, 2020, which was an increase from June 30, 2019. The increase is due mainly to additional pension liability which included the impact of services costs, interest and unfavorable experience compared to expected.

The difference due to change in assumptions between years amounted to \$350,551,000, the difference between expected and actual experience amounted to \$429,591,000, and the difference due to change in proportionate share amounted to \$54,883,000. These were reported as deferred outflows of resources as of June 30, 2020. Deferred inflows of resources resulting from the recognition of the difference between expected and actual experience amounted to \$24,464,000, and difference due to changes in assumptions amounted to \$168,457,000. For the year ended June 30, 2020, CSU recognized pension expense of \$1,573,707,000 which was reported as benefits expense. See Appendix C — “AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2020” at Note (2)(q) and Note (12).

### **Postretirement Healthcare Plan and Social Security**

The State provides retiree healthcare benefits to statewide employees, including the CSU employees, through the programs administered by CalPERS. The State’s substantive plan represents an agent multiple-employer defined-benefit other postemployment benefits (OPEB) Plan.

The State funds the employer-paid cost share of post-retirement healthcare benefits and CSU pays the cost of dental benefits for eligible CSU retirees. The cost of providing health and dental insurance to retirees are funded primarily on a “pay-as-you-go” basis. CSU reimburses the State for the portion of the postretirement healthcare benefits attributable to billable accounts as the CSU has non-State revenue sources.

CSU has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The GASB 75 changes in accounting policy are designed to improve transparency by requiring recognition of the net OPEB liability, deferred inflows of resources, deferred outflows of resources, and report costs associated with OPEB as they are earned by employees instead of based on cash funding. Prior to this adoption, the costs associated with OPEB were equal to the actuarially determined Annual Required Contribution and recognized accrual of unfunded required contribution.

CSU's net OPEB liability amounted to \$14,498,545,000 as of June 30, 2020. The discount rate used to estimate the net OPEB liability was 3.13%, which is based on Fidelity Index's 20-Year Municipal GO AA Index since the CSU has no OPEB plan assets sufficient to make benefit payments. The OPEB contribution amounted to \$404,389,000 for the fiscal year ended June 30, 2020 which includes \$388,210,000 contribution from the State on behalf of CSU as authorized by California Government Code Section 22871. The deferred inflows of resources resulting from the change in assumptions amounted to \$1,311,057,000 and difference between expected and actual experience (non-investment) of \$882,469,000. See Appendix C – "AUDITED FINANCIAL STATEMENTS OF THE CALIFORNIA STATE UNIVERSITY AS OF JUNE 30, 2020" at Note (2)(p) and Note (13).

Social security (OASDI and Medicare) benefits are funded from employer and employee contributions. The rates for these benefits are established by federal regulations and are currently equally shared by the employer and employees. CSU contributed \$251,624,000 for OASDI and Medicare for the fiscal year ended June 30, 2020. Social security expenditures increased slightly due to CSU's salary growth in fiscal year ended June 30, 2020 and the social security cap on maximum earnings subject to the social security tax increased from \$132,900 in 2019 to \$137,700 in 2020.

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## **APPENDIX B**

### **INFORMATION REGARDING THE CAMPUSES OF THE CALIFORNIA STATE UNIVERSITY**

#### **California State University, Bakersfield**

California State University, Bakersfield was founded in 1965 and in September 1970 became the nineteenth campus of the California State University system. The campus consists of four academic schools: Arts and Humanities; Business and Public Administration; Natural Sciences, Mathematics and Engineering; Social Sciences and Education. Professional and Continuing Education (“PaCE”) is offered through the Extended Education program. The campus also runs the Antelope Valley offsite center in Lancaster.

#### **California State University Channel Islands**

California State University Channel Islands opened its doors in Fall 2002 as the 23rd and youngest campus of the CSU system. The campus consists of three schools: Arts and Sciences; Education; and the Martin V. Smith School of Business & Economics. PaCE is offered through the Extended University which serves international students, veterans, working professionals, and senior citizens.

#### **California State University, Chico**

California State University, Chico began in 1887 as the northern branch of the California State Normal School (a network of two-year preparatory schools for teachers). Since then it has progressed from an independent normal school to a state teachers college in 1921; a state college in 1935; and finally into California State University, Chico in 1972. The campus serves a twelve-county area and is composed of seven colleges: Agriculture; Behavioral and Social Sciences; Business; Communication and Education; Engineering, Computer Science, and Construction Management; Humanities and Fine Arts; and Natural Sciences. PaCE is offered through the Campus Center for Regional and Continuing Education.

#### **California State University, Dominguez Hills**

Established by the State Legislature in 1960, the California State University, Dominguez Hills opened its doors as the California State College at Palos Verdes in 1965. The following year, the college moved to the City of Carson and was renamed California State College, Dominguez Hills. The campus is organized into five colleges: Arts and Humanities; Business Administration and Public Policy; Education; Natural and Behavioral Sciences; and Health, Human Services and Nursing. PaCE is offered through the College of Extended and International Education.

#### **California State University, East Bay**

California State University, East Bay was established by the State Legislature in 1957 and opened its doors to its first students in 1959 as the State College for Alameda County. The campus moved to its Hayward site in 1963, becoming California State College at Hayward in 1964. The campus received university status in 1972 and was renamed California State University, Hayward. In 2005, it was renamed California State University, East Bay. The campus is organized into four academic colleges: Letters, Arts, and Social Sciences; Business and Economics; Education and Allied Studies; and Science. PaCE is offered through the Continuing Education program. The campus also runs the Concord offsite center which is located in Contra Costa County.

#### **California State University, Fresno**

Established in 1911, California State University, Fresno is located in the heart of the State, which makes it convenient to all major points in California. The campus consists of six colleges—Arts and Humanities; Health and Human Services; Science and Mathematics; Social Sciences; the Jordan College of Agricultural Sciences and Technology; and the Lyles College of Engineering—and two schools—the Craig School of Business; and the Kremen School of Education and Human Development. PaCE is offered through the division of Continuing and Global Education.

### **California State University, Fullerton**

California State University, Fullerton was established by legislation enacted in 1957. The campus is located in north Orange County and has eight colleges: Arts; Communications; Education; Engineering and Computer Science; Health and Human Development; Humanities and Social Sciences; Natural Sciences and Mathematics; and the Mihaylo College of Business and Economics. PaCE is offered through the Extension and International Program. The campus also runs the Irvine offsite center in Orange County.

### **Humboldt State University**

Humboldt State University, the northernmost campus of the California State University system, was established in 1913 as a normal school and became Humboldt State Teacher's College and Junior College in 1921. In 1935, the campus name was changed to Humboldt State College and in 1974 it became Humboldt State University. The campus is comprised of three colleges: Arts, Humanities, and Social Sciences; Natural Resources and Sciences; and Professional Studies. PaCE is offered through the College of Extended Education and Global Engagement.

### **California State University, Long Beach**

California State University, Long Beach first began instruction in September 1949. In 1950, the campus moved to its present site donated to the State by the City of Long Beach and in 1972 was named California State University, Long Beach. The campus is organized into seven colleges: Arts; Business Administration; Education; Engineering; Health and Human Services; Liberal Arts; and Natural Sciences and Mathematics. PaCE is offered through the College of Professional and International Education.

### **California State University, Los Angeles**

Los Angeles State College was founded by an act of the State Legislature in July 1947. In 1955, the campus broke ground on its current site and officially became California State University, Los Angeles in 1972. California State University, Los Angeles is organized into six colleges: Arts and Letters; Business and Economics; Engineering, Computer Science, and Technology; Natural and Social Sciences; Charter College of Education; and the Rongxiang Xu College of Health and Human Services. PaCE is offered through the College of Professional and Global Education.

### **California State University Maritime Academy**

Established by the State legislature in 1929 as the California Nautical School, the California State University Maritime Academy became an independent state institution of higher education in 1972. While continuing its role in the preparation of students for the maritime industry, it joined CSU as a campus in 1995. Maritime is currently organized into three schools: the School of Engineering, School of Letters and Sciences, and School of Maritime Transportation, Logistics, and Management offering six majors leading to Bachelor of Science degrees in Business Administration / International Business and Logistics; Facilities Engineering Technology; Marine Engineering Technology; Marine Transportation; Mechanical Engineering; and a Bachelor of Arts degree in Global Studies and Maritime Affairs. PaCE is offered through Cal Maritime Extension.

### **California State University, Monterey Bay**

In 1994, a plan to convert former military base Fort Ord into a university was passed and a year later California State University, Monterey Bay admitted its first students. The campus consists of six colleges: Arts, Humanities and Social Sciences; Business; Education; Health Sciences and Human Services; and Science. PaCE is offered through the College of Extended Education and International Programs.

### **California State University, Northridge**

Created in 1956 as the San Fernando Valley Campus of Los Angeles State College of Applied Arts and Sciences, the campus separated from its parent institution on July 1, 1958, as San Fernando Valley State College. By action of the State Legislature, the Governor, and the Board of Trustees, the campus became California State

University, Northridge, in 1972. It is composed of eight colleges: Engineering and Computer Science; Health and Human Development; Humanities; Science and Mathematics; Social and Behavioral Sciences; Mike Curb College of Arts, Media, and Communication; David Nazarian College of Business and Economics; and Michael D. Eisner College of Education. PaCE is offered through the Tseng College for Graduate, International and Midcareer Education.

#### **California State Polytechnic University, Pomona**

California State Polytechnic University, Pomona opened in 1938 as the Voorhis Unit of the California State Polytechnic College. In 1949, cereal magnate W.K. Kellogg deeded 813 acres of land located three miles south of the Voorhis campus to the State of California. In 1956, the campus community moved to the Kellogg Ranch campus. In 1966, Cal Poly Pomona separated from the San Luis Obispo campus to become California's sixteenth state college. University status was granted in 1972. Cal Poly Pomona comprises eight colleges: Business Administration; Education and Integrative Studies; Engineering; Environmental Design; Letters, Arts, and Social Sciences; Science; the Don B. Huntley College of Agriculture; and the Collins College of Hospitality Management. PaCE is offered through the College of the Extended University.

#### **California State University, Sacramento**

California State University, Sacramento was founded in 1947 and, shortly thereafter, moved from its original location to the southwest bank of the American River, to better serve its region and be close to the State Capitol. The campus is organized into seven colleges: Arts and Letters; Business Administration; Education; Engineering and Computer Science; Health and Human Services; Natural Sciences and Mathematics; and Social Sciences and Interdisciplinary Studies. PaCE is offered through the College of Continuing Education.

#### **California State University, San Bernardino**

In 1960, the State Legislature authorized the establishment of the State College for San Bernardino and Riverside counties. The San Bernardino campus opened in 1965. In 1984 the campus earned university status, and became California State University, San Bernardino. The campus is composed of five academic colleges: Arts and Letters; Education; Natural Sciences; Social and Behavioral Sciences; and The Jack H. Brown College of Business and Public Administration. PaCE is offered through the College of Extended and Global Education. The campus also runs the Palm Desert offsite center which opened in 2002.

#### **San Diego State University**

Established in 1897 as a normal school, San Diego State University was temporarily quartered in downtown San Diego while its campus site was under construction north of Balboa Park. The normal school was reorganized as a four-year state teachers college in 1921 and moved to its present site ten years later. In 1935, the name was changed to San Diego State College. University status was achieved in 1972, and the campus was renamed San Diego State University in 1974. The campus is composed of seven academic colleges: Arts and Letters; Education; Engineering; Health and Human Services; Professional Studies and Fine Arts; Sciences; and the Fowler College of Business. PaCE is offered through the College of Extended Studies. The campus also runs two offsite centers, Calexico and Brawley, which make up San Diego State University Imperial Valley.

#### **San Francisco State University**

Founded in 1899 as San Francisco State Normal School and renamed San Francisco State Teachers College in 1921, the campus was granted full university status in 1972, and the name San Francisco State University was formally adopted in 1974. The campus has six colleges: Business; Graduate College of Education; Ethnic Studies; Health and Social Sciences; Liberal and Creative Arts; and Science and Engineering. PaCE is offered through the College of Extended Learning. The campus also runs an offsite center in downtown San Francisco.

### **San José State University**

Founded in 1857, San José State is the oldest public institution of higher education on the West Coast. San José State began as Minns' Evening Normal School in San Francisco in 1857 and became a state school — the California Normal School — by an act of the State Legislature in 1862. After several changes to the name, the institution was formally named the San José State University by legislation in 1974. The campus is comprised of seven colleges: Health and Human Sciences; Humanities and the Arts; Science; Social Sciences; and The Lucas College and Graduate School of Business; The Connie L. Lurie College of Education; and The Charles W. Davidson College of Engineering. PaCE is offered through the College of Professional and Global Education.

### **California Polytechnic State University, San Luis Obispo**

California Polytechnic State University, San Luis Obispo was established in 1901 by the State Legislature as a school at San Luis Obispo to provide practical instruction in many technical fields. The first classes met October 1, 1903. The campus is comprised of six colleges: Agriculture, Food and Environmental Sciences; Architecture and Environmental Design; Engineering; Liberal Arts; Science and Mathematics; and the Orfalea College of Business. PaCE is offered through the Extended Education Program.

### **California State University San Marcos**

California State University San Marcos was established in 1989 as the twentieth campus of the California State University system. The campus is composed of four colleges: Business Administration; Education, Health and Human Services; Humanities, Arts, Behavioral and Social Sciences; and Science and Mathematics. PaCE is offered through the Extended Learning program.

### **Sonoma State University**

Sonoma State University, established by the State Legislature in 1960, first opened in 1961 in temporary facilities located in Rohnert Park and moved to its permanent campus site in 1966. The campus is organized into five schools: Arts and Humanities; Business and Economics; Education; Science and Technology; and Social Sciences. PaCE is offered through the School of Extended & International Education.

### **California State University, Stanislaus**

California State University, Stanislaus was established by the State Legislature in 1957 and first offered classes in September of 1960 in temporary quarters at the Stanislaus County Fairgrounds in Turlock. The campus moved to its permanent site in Turlock in 1965. The campus is organized into four colleges: Arts, Humanities and Social Sciences; Business Administration; Education, Kinesiology and Social Work; and Science. PaCE is offered through the University Extended Education program. The campus also runs the Stockton offsite center in San Joaquin County.

**APPENDIX C**  
**AUDITED FINANCIAL STATEMENTS**  
**OF THE CALIFORNIA STATE UNIVERSITY**  
**AS OF JUNE 30, 2020**

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**CSU**

The California  
State University

# FINANCIAL STATEMENTS

2019-2020



CHICO STATE



CSU NORTHRIDGE



SONOMA STATE



CSU SAN BERNARDINO



CAL POLY POMONA



CSU FULLERTON



CSU MONTEREY BAY



SAN FRANCISCO STATE



CAL STATE EAST BAY



CSU BAKERSFIELD

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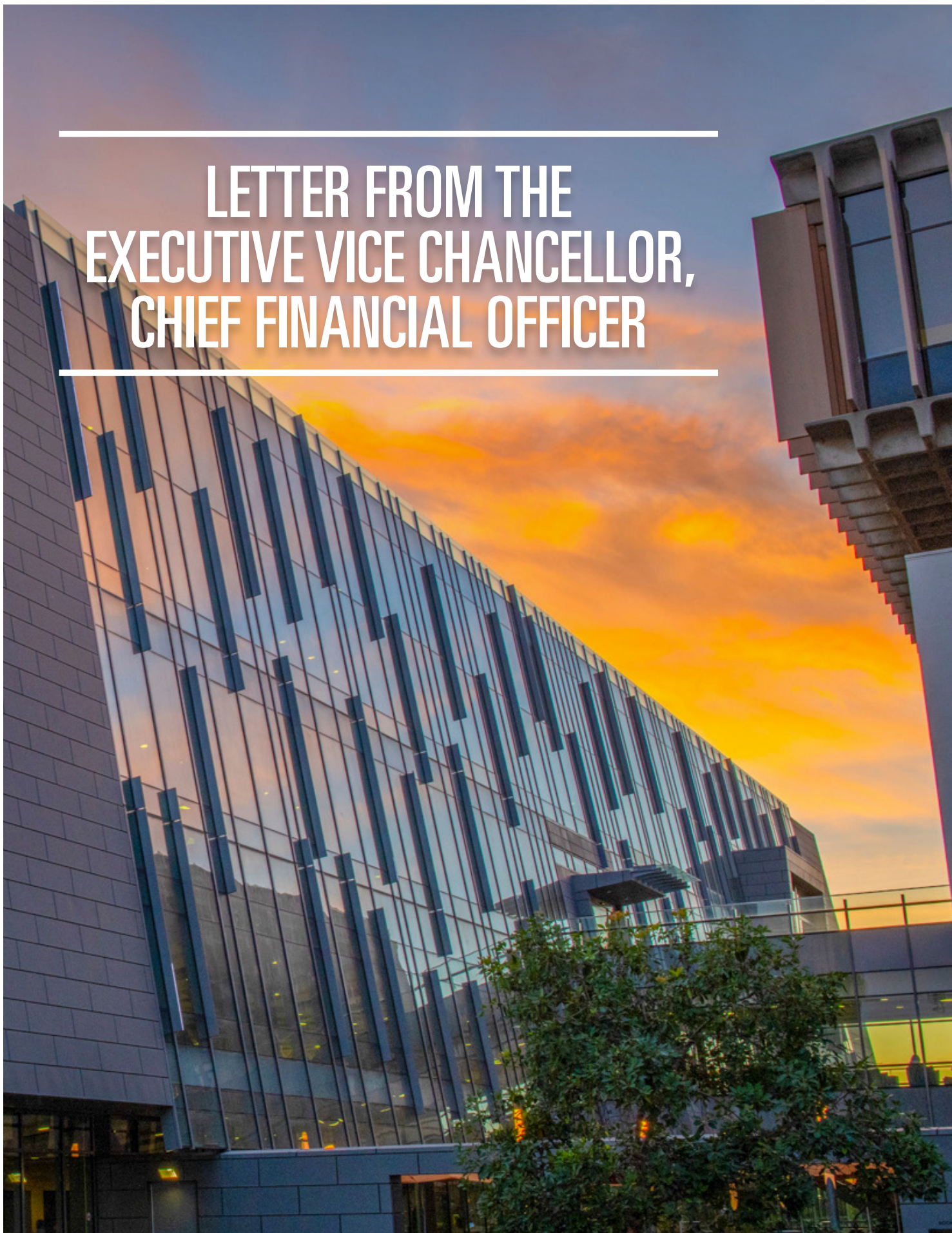
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# LETTER FROM THE EXECUTIVE VICE CHANCELLOR, CHIEF FINANCIAL OFFICER

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## LETTER FROM THE EXECUTIVE VICE CHANCELLOR, CHIEF FINANCIAL OFFICER



The global public health crisis and economic distress of the year 2020 brought unique challenges that we continue to endure as a university, state and nation. Our students, faculty, staff and leaders have risen to meet those challenges through inspired resilience, innovation and flexibility.

Under the bold leadership of recently retired Chancellor Timothy P. White, the CSU took action when the scope and scale of the COVID-19 pandemic became apparent. More than 80,000 classes across our 23 campuses were transitioned to virtual delivery, ensuring the health and safety of students, faculty, staff and the communities we serve, while maintaining our students' progress to degree and providing a full range of support services online. Sixty percent of our total teaching force took part in a quarter million hours of professional development programming to ensure robust, engaging and equitable virtual instruction.

With 475,000 students, 53,000 faculty and staff, and 3.8 million alumni, the California State University is the largest and most diverse four-year public university in the United States. The CSU is also one of the nation's most powerful drivers of social mobility, serving as California's greatest producer of bachelor's degrees and a vital economic engine for our state.

Our continued investment in student success is paying great dividends. Despite a season of upheaval, we celebrated in 2020 the largest graduating class in the history of the CSU. At the same time, we reached historic student-success milestones through Graduation Initiative 2025, the CSU's flagship effort that has led to the highest graduation rates in our university's history – for students from all walks of life. And this past fall, thanks to increased enrollment and record retention, we served our largest student body ever – a testament not only to the high value and demand for a CSU degree, but also to the trust students have in our mission and ability to transform their lives.

The CSU also remains on solid financial footing. Thanks to prudent cost-savings measures and careful financial planning, the CSU enters a multi-year fiscal challenge ready to meet our strategic goals. And we look to continued strong investment by the state – investment that has consistently delivered a strong return by elevating individuals, families and communities, and meeting the state's current and future workforce needs.

Under the leadership of new Chancellor Joseph I. Castro, the CSU will continue unabated our commitment to providing all students the opportunity to earn a high-quality, affordable education, propelling California toward its brightest future.

For California,

A handwritten signature in black ink, appearing to read 'Steve Relyea', written in a cursive, flowing style.

Steve Relyea  
Executive Vice Chancellor, CFO  
The California State University

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# INDEPENDENT AUDITORS' REPORT

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KPMG LLP  
Suite 1500  
550 South Hope Street  
Los Angeles, CA 90071-2629

## Independent Auditors' Report

The Board of Trustees  
California State University:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the California State University (the University), an agency of the State of California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements for the year then ended as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 89 of the 91 aggregate discretely presented component units, which represent 95%, 98% and 94%, respectively of the assets, net position and revenues of the aggregate discretely presented component units totals. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 89 discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of 40 discretely presented component units were not audited in accordance with *Government Auditing Standards*, which represent 32%, 33% and 26%, respectively of the assets, net position and revenues of the aggregate discretely presented component unit totals.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### *Opinions*

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate discretely presented component units of the California State University, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Other Matters*

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 9-30, the schedules of University's proportionate share of the net pension liability and related ratios, and employer contributions related to pension in Schedules 1 and 2, and the schedule of University's total other postemployment benefits liability and related ratios, and employer contributions related to other postemployment benefits in Schedules 3 and 4, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the California State University's basic financial statements. The supplementary information included in Schedules 5 through 7 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedule 5 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule 5 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Schedules 6 and 7 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

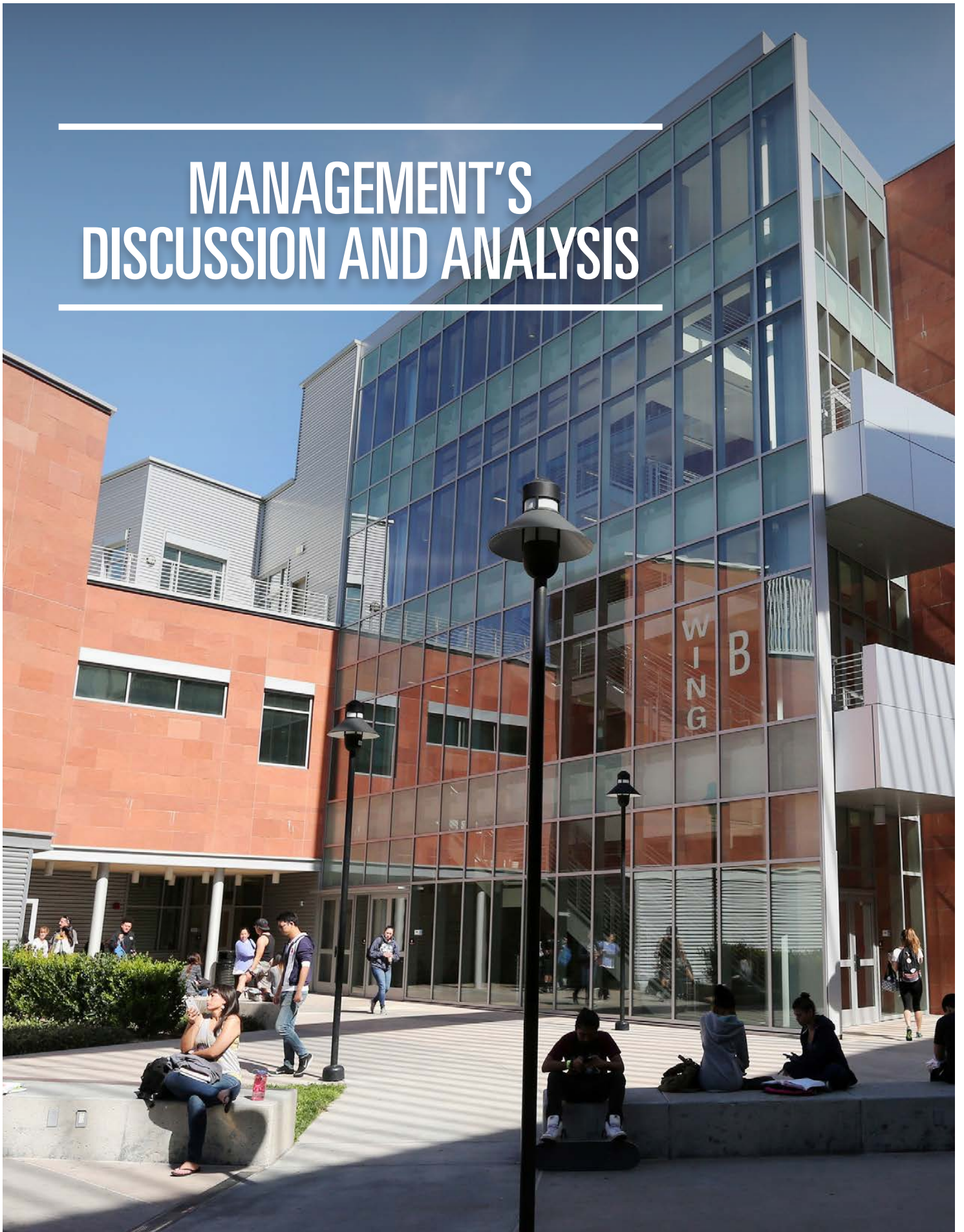
KPMG LLP

Los Angeles, California  
March 19, 2021

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CALIFORNIA STATE UNIVERSITY**  
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

The discussion and analysis below provides an overview of the financial position and performance of the California State University (the University) as of and for the year ended June 30, 2020, including 23 campuses and the Office of the Chancellor (collectively referred to as the University), and 91 discretely presented component units. The discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section. Separate financial statements are issued for each of the discretely presented component units and may be obtained from the individual campuses.

**The California State University**

The University promotes student success through high-quality education that prepares students to become leaders in the changing workforce, making the University a vital economic engine for California.

The University was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, who is the chief executive officer of the University, and the University presidents, who are the chief executive officers of the respective campuses.

The discretely presented component units of the University consist of primarily recognized auxiliary organizations. These not-for-profit organizations are separate legal entities created to perform essential functions. These functions are classified into the following categories:

- Student self-governance
- Student body center, union, and recreation center
- Externally supported research and sponsored programs
- Commercial services such as bookstores, food services, housing, or real estate development
- Philanthropic activities

**Impact of COVID-19 Global Pandemic**

In March 2020, the World Health Organization declared the outbreak of Coronavirus Disease (COVID-19) to be a global pandemic. The University, in order to safeguard the health and well-being of its students, faculty, staff and the communities it serves immediately moved towards primarily online instruction and virtual support. The University has faced increased costs associated with the pandemic and shift to virtual instruction. In addition, self-funded enterprise programs such as student housing, parking, and professional and continuing education are suffering financially.

In order to keep core instructional and student-support functions afloat, and to mitigate negative impacts to faculty and staff, the University has implemented a hiring slowdown, halted travel, and is carefully spending down a portion of reserves that had been prudently saved for economic uncertainty.

In addition, the University has received funding through the Higher Education Emergency Relief Fund (HEERF) authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted into law in April 2020. This made it possible for the University to offer emergency grants for students experiencing financial hardships directly due to the COVID-19 global pandemic. A portion of the funds are also available to cover costs incurred by the University associated with significant changes to the delivery of instruction due to COVID-19 global pandemic. Further, certain



**CALIFORNIA STATE UNIVERSITY**  
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

component units applied for and received a Payroll Protection Program (PPP) loan, a federal program administered by the U.S. Small Business Administration, launched by the U.S. federal government in response to the economic impact of the COVID-19 global pandemic.

The extent to which the COVID-19 global pandemic impacts the operations going forward will depend on numerous evolving factors, which cannot be reliably predicted at this time. The University has and will continue to attempt to minimize negative impacts of the COVID-19 global pandemic.

**Financial Statements**

The financial statements of the University as of and for the year ended June 30, 2020 have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. For reporting purposes, the University is considered a special-purpose government engaged in business-type activities.

This discussion and analysis is intended to serve as an introduction to the University's basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The financial statements are designed to provide readers with a broad overview of the University's finances from all revenue sources, in a manner similar to the private sector. The University's discretely presented component units are presented in a separate column to enable the reader to distinguish between the University and these separate but related not-for-profit organizations.

**Statement of Net Position**

The Statement of Net Position is the University's balance sheet. It presents information on all of the University's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these four reported as net position (equity). Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally reported at book value, except investments, which are reported at fair value. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the University. The University's net position is classified as net investment in capital assets, restricted or unrestricted.

Changes from one fiscal year to the next in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses, and Changes in Net Position.

**Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position is the University's income statement. Revenues earned and expenses incurred during the fiscal year on an accrual basis are classified as either operating or nonoperating. This distinction results in operating deficits, as the GASB Statement No. 35 reporting model requires classification of state appropriations, a significant revenue stream to fund current operations, as nonoperating revenue.

**CALIFORNIA STATE UNIVERSITY**  
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

***Statement of Cash Flows***

The Statement of Cash Flows presents the changes in the University's cash and cash equivalents during the most recent fiscal year. This Statement is prepared using the direct method. The Statement breaks out the sources and uses of the University's cash and cash equivalents into four categories:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

The University's routine activities appear in the operating and noncapital financing categories. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. The proceeds from the issuance of Systemwide Revenue Bonds (SRB) that will be passed through to the discretely presented component units for capital purposes are reported as noncapital financing activities.

Capital and related financing sources include debt proceeds, state capital appropriations, capital grants and gifts, proceeds from sale of capital assets, and principal and interest payments received on capital leases. Within the capital and related financing activities, uses of funds consist of acquisition of capital assets, and debt repayments. Sales and purchases of investments are part of investing activities.

The Statement of Cash Flows for the discretely presented component units is not included in the University's financial statements.

**CALIFORNIA STATE UNIVERSITY**  
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

**Financial Position**

The Statement of Net Position presents the financial position of the University and its discretely presented component units. The major components of the Statement of Net Position include assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. A condensed comparative Statements of Net Position follows as of June 30, 2020 and 2019:

|                                  | University             |                     | Discretely presented<br>component units |                  |
|----------------------------------|------------------------|---------------------|---|------------------|
|                                  | 2020                   | 2019                | 2020                                    | 2019             |
|                                  | (In thousands)         |                     |   |                  |
| <b>Assets:</b>                   |                        |                     |   |                  |
| Current assets                   | \$ 4,249,587           | 4,076,294           | 1,678,457                               | 1,585,507        |
| Capital assets, net              | 10,139,549             | 9,538,377           | 871,445                                 | 912,577          |
| Other noncurrent assets          | 2,704,609              | 2,017,426           | 2,660,458                               | 2,487,979        |
| Total assets                     | <u>17,093,745</u>      | <u>15,632,097</u>   | <u>5,210,360</u>                        | <u>4,986,063</u> |
| Deferred outflows of resources   | <u>2,984,024</u>       | <u>2,456,788</u>    | <u>36,209</u>                           | <u>32,520</u>    |
| <b>Liabilities:</b>              |                        |                     |   |                  |
| Current liabilities              | 1,465,131              | 1,502,157           | 525,924                                 | 493,517          |
| Noncurrent liabilities           | 31,227,378             | 28,279,755          | 1,076,603                               | 1,034,713        |
| Total liabilities                | <u>32,692,509</u>      | <u>29,781,912</u>   | <u>1,602,527</u>                        | <u>1,528,230</u> |
| Deferred inflows of resources    | <u>2,452,308</u>       | <u>2,888,140</u>    | <u>59,506</u>                           | <u>52,189</u>    |
| <b>Net position:</b>             |                        |                     |   |                  |
| Net investment in capital assets | 3,566,992              | 3,438,964           | 329,264                                 | 295,177          |
| <b>Restricted:</b>               |                        |                     |   |                  |
| Nonexpendable                    | 1,677                  | 1,693               | 1,414,654                               | 1,336,916        |
| Expendable                       | 178,610                | 194,812             | 1,184,530                               | 1,146,945        |
| Unrestricted                     | <u>(18,814,327)</u>    | <u>(18,216,636)</u> | <u>656,088</u>                          | <u>659,126</u>   |
| Total net position               | <u>\$ (15,067,048)</u> | <u>(14,581,167)</u> | <u>3,584,536</u>                        | <u>3,438,164</u> |

The University's net position decreased by \$485.88 million in 2020. The University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. This change in accounting policy in 2018 was the primary reason for the deficit in the unrestricted net position. Despite the deficit, the University's current ratio, which measures its ability to pay-off short-term obligations, remains positive for both years at an average of 2.81.

**CALIFORNIA STATE UNIVERSITY**  
Management's Discussion and Analysis

June 30, 2020

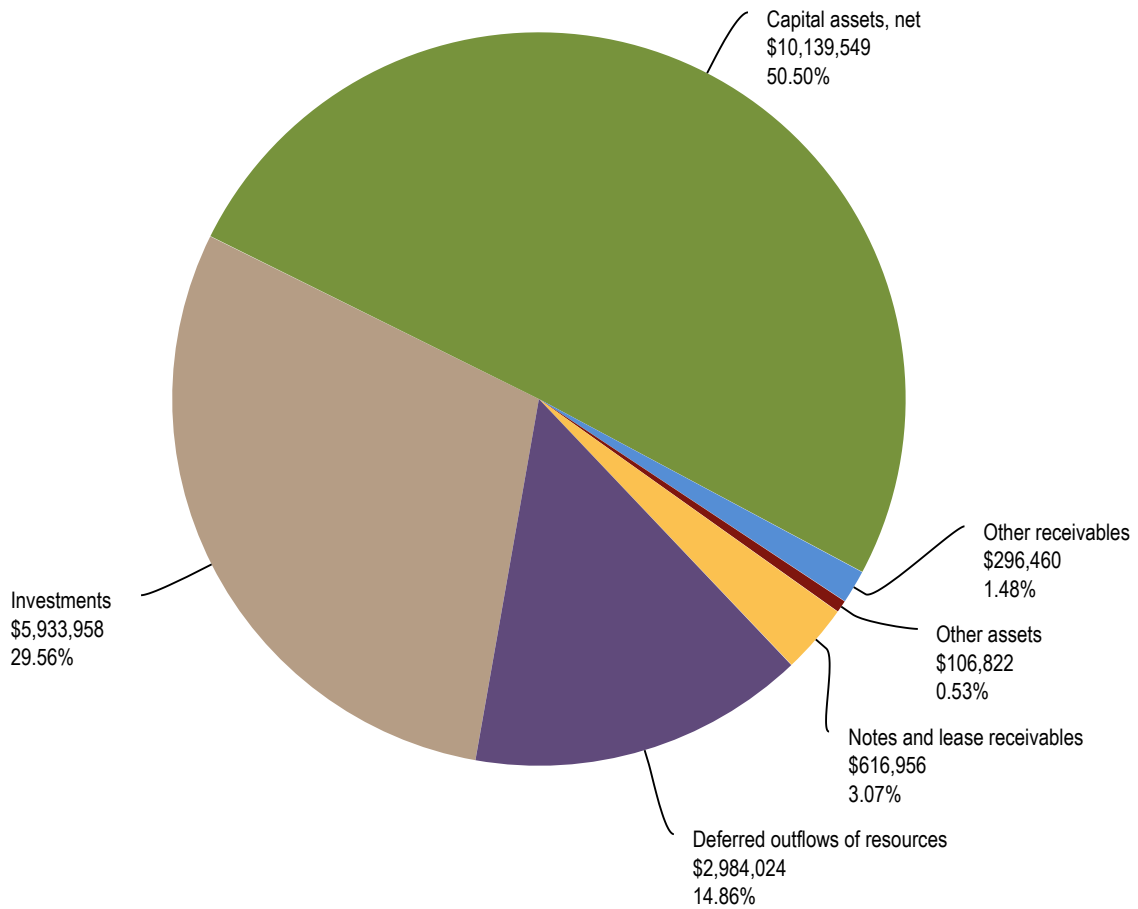
(Unaudited)

**The University's Financial Position**

***Assets and Deferred Outflows of Resources***

Total assets increased from \$15.63 billion in 2019 to \$17.09 billion in 2020. Deferred outflows of resources increased from \$2.46 billion in 2019 to \$2.98 billion in 2020.

**Assets and Deferred Outflows of Resources  
(In thousands)**



**CALIFORNIA STATE UNIVERSITY**  
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

Current and other noncurrent assets of the University are assets that are not capital assets and are used to meet current and noncurrent obligations. These assets consist of cash and cash equivalents, restricted cash and cash equivalents, investments, accounts receivable, notes receivable, capital leases receivable, student loans receivable, pledges receivable, prepaid expenses, and other assets.

*Capital Assets, Net*

The University's capital assets, net of accumulated depreciation and amortization, represents the largest portion of total assets. The University's net capital assets are as follows as of June 30, 2020 and 2019:

|                                       | <u>2020</u>          | <u>2019</u>      |
|---------------------------------------|----------------------|------------------|
|                                       | (In thousands)       |                  |
| Land and land improvements            | \$ 285,802           | 281,916          |
| Buildings and building improvements   | 7,349,654            | 6,861,632        |
| Improvements other than buildings     | 209,258              | 213,164          |
| Infrastructure                        | 669,619              | 658,566          |
| Equipment                             | 219,464              | 228,913          |
| Library books and materials           | 30,964               | 29,578           |
| Works of art and historical treasures | 53,581               | 50,100           |
| Intangible assets                     | 62,135               | 57,870           |
| Construction work in progress         | 1,259,072            | 1,156,638        |
| Total                                 | <u>\$ 10,139,549</u> | <u>9,538,377</u> |

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, faculty, and staff. The capital spending includes constructing and renovating academic buildings, student union and recreation centers, and housing facilities. Major projects in 2020 included the Chico SSKU II Science Replacement, the Dominguez Hills Student Housing Phase III and Innovation and Instruction Building, the Fullerton Parking Structure Eastside 2, the Long Beach Housing Expansion Phase I, the Los Angeles Student Housing Complex E and Physical Science Building Seismic renewal, the Monterey Bay Student Union, the San Bernardino Santos Manuel Student Union Expansion, the San Diego Land Mission Valley, the San Francisco New Creative Arts Center, the San Jose South Campus Multi-level Parking Structure and Sports Field Facility and Interdisciplinary Science Building, the San Luis Obispo Science and Research Building, and the Stanislaus Union Renovation and Expansion.

*Investments*

The University invests its funds mainly in the Liquidity Portfolio (Systemwide Investment Fund Trust or SWIFT), and the Total Return Portfolio (TRP), collectively referred herein as CSU Consolidated Investment Pool. The purpose of the Liquidity Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the University. The investment objective for TRP is to achieve prudent return within a moderate risk level. In addition, funds are invested in Surplus Money Investment Fund (SMIF), which is managed and invested by the State Treasurer in a short-term pool. The proceeds from the sale of Systemwide Revenue Bonds (SRB) are held by the State and invested in SMIF, as required by state law. The investment balances are as follows as of June 30, 2020 and 2019:

**CALIFORNIA STATE UNIVERSITY**  
Management's Discussion and Analysis

June 30, 2020

(Unaudited)

|                                       | 2020                | Percentage<br>of total | 2019                | Percentage<br>of total |
|---------------------------------------|---------------------|------------------------|---------------------|------------------------|
|                                       | (In thousands)      | %                      | (In thousands)      | %                      |
| Liquidity Portfolio                   | \$ 3,398,917        | 57.28                  | \$ 3,655,041        | 72.45                  |
| Total Return Portfolio                | 1,110,236           | 18.71                  | 559,192             | 11.08                  |
| State's Surplus Money Investment Fund | 1,424,805           | 24.01                  | 830,721             | 16.47                  |
| Total                                 | <u>\$ 5,933,958</u> | <u>100.00</u>          | <u>\$ 5,044,954</u> | <u>100.00</u>          |

Investments increased from \$5.04 billion in 2019 to \$5.93 billion in 2020. Investments increased due to proceeds from issuance of SRB Series 2020A/B, investment gains/earnings, and increase in operating resources provided by the State through noncapital appropriations. This is offset by capital project spending and debt service payments.

*Notes Receivable*

The University has a program utilizing discretely presented component units to support a broad range of functions. In certain cases, the discretely presented component units are involved in the financing of campus facilities as well as off-campus facilities serving the needs of the campus. These facilities are mostly financed by SRB using either lease or loan arrangements.

In the loan arrangement, facilities are financed or refinanced by a loan of SRB proceeds from the University to the discretely presented component units pursuant to a loan agreement. Under the terms of the loan agreement, in return for the loan from the University, the component unit agrees to acquire, construct and/or maintain the facility and repay the loan to the University. The outstanding loan balance is carried by the University as notes receivable. Notes receivable from discretely presented component units decreased from \$400.38 million in 2019 to \$385.19 million in 2020. The decrease of \$15.19 million is due mainly to current year net collection of \$12.97 million, and refunding of existing loan agreements from \$56.45 million to \$54.23 million.

*Deferred Outflows of Resources*

Deferred outflows of resources are consumption of assets that are applicable to a future reporting period, which has a positive effect on the net position. Deferred outflows of resources consist of the following transactions:

- *Pension* - Increases in the net pension liability that are not recognized as pension expenses for the reporting period are reported as deferred outflows of resources. This includes the difference between expected and actual experience with regard to economic or demographic factors and changed in assumptions used by an actuary to determine total pension liability; and the University's proportionate share of net pension liability, which are recognized as pension expenses over the average of the expected remaining service lives of participating employees. The employer contributions subsequent to measurement date are recognized as deferred outflows of resources related to pensions and reduction of net pension liability in the following year.
- *Other Postemployment Benefits (OPEB)* - The employer contributions subsequent to measurement date are recognized as deferred outflows of resources and a reduction of total OPEB liability in the following year. This includes changes in the actuarial OPEB assumptions, which are recognized as OPEB expense over the average remaining working lifetime of all participants.

**CALIFORNIA STATE UNIVERSITY**  
 Management's Discussion and Analysis

June 30, 2020

(Unaudited)

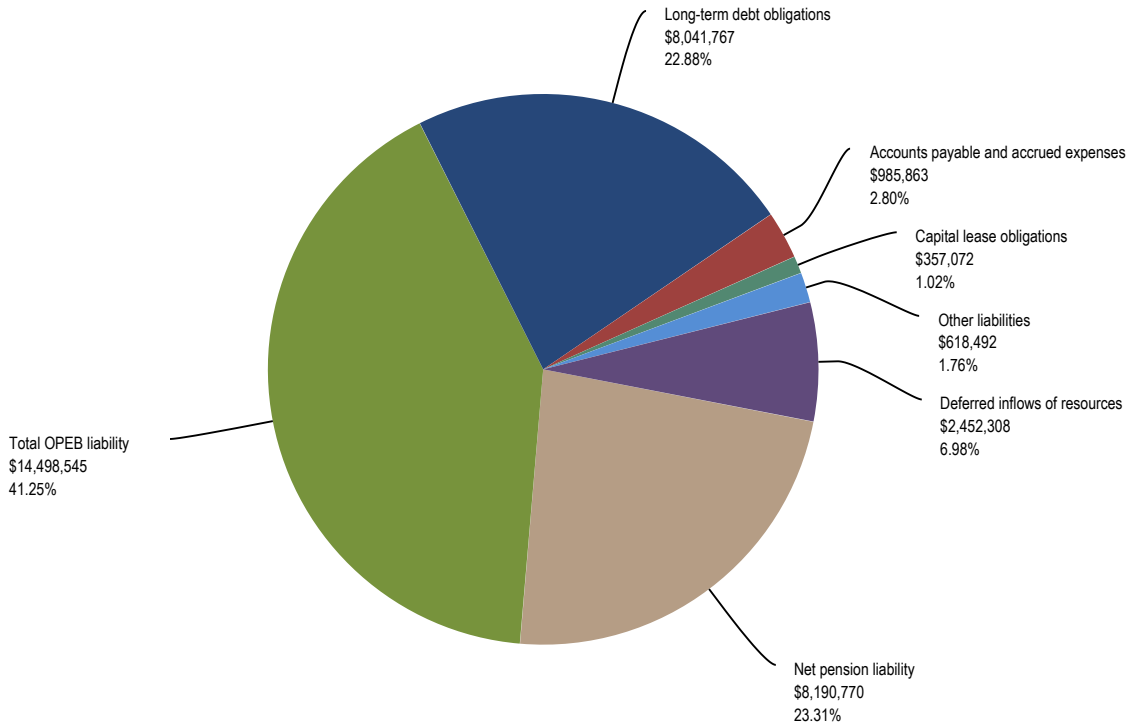
- *Loss on Debt Refunding* - The defeasance of previously outstanding systemwide revenue bonds results in deferring refunding losses. These deferred losses are recognized as a component of interest over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred outflows of resources increased by \$527.23 million from \$2.46 billion in 2019 to \$2.98 billion in 2020. This is mainly due to the increase in deferred outflows of \$751.69 million related to changes in assumptions in determining total OPEB liability. In addition, the deferred outflows related to net pension liability increased by \$328.89 million primarily due to the effect of the difference between expected and actual experience in determining the net pension liability. The employer contributions for OPEB and pension liabilities subsequent to measurement date had a net increase of \$42.13 million and \$82.53 million, respectively. In addition, there was an amortization of \$678 million for deferred outflows of resources related to total OPEB liability, net pension liability and loss on debt refunding.

***Liabilities and Deferred Inflows of Resources***

Total liabilities of \$32.69 billion represent an increase of \$2.91 billion compared to \$29.78 billion in 2019. Deferred inflows of resources decreased from \$2.89 billion in 2019 to \$2.45 billion in 2020.

**Liabilities and Deferred Inflows of Resources  
 (In thousands)**



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Current liabilities (liabilities due within one year) and noncurrent liabilities (liabilities due in more than one year) include major components such as net pension liability, long-term debt obligations, accounts payable and accrued expenses, total OPEB liability, capital lease obligations, and other liabilities.

*Total OPEB Liability*

The State has a Retiree Health Benefits Program with CalPERS as an agent multiple-employer defined-benefit plan and CalPERS functions as the investment and administrative agent for its members. The University, as a state agency, participates in the State's Retiree Health Benefits Program. The OPEB benefits are funded on a pay-as-you-go basis as eligible participants retire and receive those benefits.

The total OPEB liability increased from \$13.13 billion as of June 30, 2019 to \$14.50 billion as of June 30, 2020. The key factors contributing to this increase include (a) change in the demographic experience wherein more members are retiring, retiring earlier, and living longer than assumed, (b) update on healthcare related assumptions based on the 2014-2018 Experience Review, and (c) lower discount rate from 3.62% to 3.13%. This is offset by (a) favorable healthcare claims experience as average member claim costs were lower than assumed, and (b) change in trend rates.

*Net Pension Liability*

The State's pension plans with CalPERS are agent multiple-employer defined-benefit pension plans and CalPERS functions as the investment and administrative agent for its members. The University, as a state agency, participates in the State's pension plans. The plans act as cost-sharing, multiple-employer defined-benefit pension plans for the University. The University's share in the net pension liability, which is actuarially determined, is based on its proportionate share in the total pensionable compensation of all the participating state agencies for the measurement period.

The pension liability increased from \$7.73 billion in 2019 to \$8.19 billion in 2020. The \$0.46 billion increase is due mainly to \$2.85 billion additional pension liability which included the impact of service costs, interest and unfavorable experience compared to the expected. The contributions both the by University and its employees of \$1.15 billion and net return on investment of \$1.24 billion reduced the net pension liability in 2020.



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*Long-Term Debt Obligations*

The University's capital assets are financed using the State's capital appropriations, SRB, leases, and reserves. BANs provide short-term financing for capital assets during the construction period. The University's total long-term debt obligations increased by \$1.09 billion in 2020. The University's long-term debt obligations are summarized as follows as of June 30, 2020 and 2019:

|  | 2020           | 2019      |
|--|----------------|-----------|
|  | (In thousands) |           |
| Systemwide revenue bonds                           | \$ 7,218,305   | 6,211,333 |
| Bond anticipation notes                            | 129,119        | 109,659   |
| Other long-term debt obligations                   | 9,012          | 10,046    |
| Total  | 7,356,436      | 6,331,038 |
| Unamortized net bond premium                       | 685,331        | 620,431   |
| Total long-term debt obligations                   | 8,041,767      | 6,951,469 |
| Less current portion                               | (171,661)      | (171,813) |
| Long-term debt obligations, net of current portion | \$ 7,870,106   | 6,779,656 |

- *Systemwide Revenue Bonds*

The University's SRB program issues revenue bonds to finance housing, parking, health centers, student body centers, continuing education facilities, and other special projects related to the educational mission of the University. The following revenues have been pledged as a security for outstanding SRB: student tuition fees, student housing fees, student body center fees, parking fees, health center facility fees, and fees from the professional and continuing education program, as well as payments from various auxiliary organizations and special purpose government entities.

Moody's Investors Service currently provides an intrinsic rating of Aa2, with a stable outlook, for the SRB. Standard & Poor's Ratings Services currently provides an intrinsic rating of AA-, with a stable outlook, for the SRB. All maturities in SRB Series 2007B, and 2007C are insured. Since the middle of fiscal year 2008, some providers of insurance for SRB have been downgraded to ratings below Aaa/AAA. Those bonds that are uninsured bear the intrinsic ratings of the SRB, which are Aa2 from the Moody's Investors Service and AA- from the Standard & Poor's Ratings Services.

The long-term debt obligations related to SRB increased by \$1.01 billion due to issuance of Series 2019 A/B and 2020 A/B with proceeds amounting to \$1.43 billion offset by \$0.42 billion of combined payments and refunding of SRB Series 2010A and 2011A.

- *Bond Anticipation Notes*

BANs are used as short-term financing to acquire and construct capital assets. The BAN payable increased by \$19.46 million from a prior year's ending balance of \$109.66 million, based on additional BANs amounting to \$227.92 million, offset by redemption of \$208.46 million using proceeds from sale of SRB Series 2019 A/B, Series 2020 B and campus revenue.

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- *State General Obligation Bonds*

The State's GO Bond program has provided capital funding for various projects of the University. The debt related to these projects is not allocated to the University by the State and is not recorded in the University's financial statements. The total GO Bonds carried by the State related to University projects decreased from \$2.14 billion in 2019 to \$2.05 billion in 2020. As a result of the enactment of Education Code Section 89770, the University's share continues to decrease as bonds are paid by the State with no new debt issued for capital facilities.

*Deferred Inflows of Resources*

Deferred inflows of resources decreased by \$0.44 billion from \$2.89 billion in 2019 to \$2.45 billion in 2020. Deferred inflows of resources are mainly related to certain changes in net pension liability and total OPEB liabilities. The decrease is mainly due to the amortization of prior year deferred inflows of resources amounting to \$482.72 million, net of \$63.80 million additions related to favorable healthcare claims experience as member claims cost is lower than assumed.

In 2020, deferred inflows of resources includes a \$3.82 million unamortized gain on debt refunding of SRB Series 2020 A/B. This deferred gains are recognized as an offset to the interest over the remaining life of the old debt or the life of the new debt, whichever is shorter.

*Net Position*

Net position may serve over time as a useful indicator of the University's financial position. Net position represents the residual interest in the University's assets and deferred outflows of resources after all liabilities and deferred inflows of resources are deducted.

Net position by category is as follows as of June 30, 2020 and 2019:

|                                  | 2020            | 2019         |
|----------------------------------|-----------------|--------------|
| (In thousands)                   |                 |              |
| Net investment in capital assets | \$ 3,566,992    | 3,438,964    |
| Restricted:                      |                 |              |
| Nonexpendable                    | 1,677           | 1,693        |
| Expendable                       | 178,610         | 194,812      |
| Unrestricted                     | (18,814,327)    | (18,216,636) |
| Total net position               | \$ (15,067,048) | (14,581,167) |

- *Net Investment in Capital Assets*

The net position category "Net investment in capital assets" represents the University's capital assets, net of accumulated depreciation and amortization, and also net of outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources. The net investment in capital assets increased from \$3.44 billion in 2019 to \$3.57 billion in 2020.

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- *Restricted*

Restricted net position has constraints on its use that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes a government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for specific purposes. Such restrictions are primarily related to endowments, scholarships and fellowships, research, loans, capital projects, and debt service funds. The restricted net position category consists of two subcategories: "Restricted nonexpendable" and "Restricted expendable".

- i. Restricted Nonexpendable

The restricted nonexpendable net position is made up of the permanent endowment funds, the corpus of which may not be expendable. The University's foundations, which are discretely presented component units, hold the significant majority of the University-related endowments.

- ii. Restricted Expendable

Restricted expendable net position represents resources that are subject to external restrictions on how they may be used. Such restrictions are primarily related to scholarships and fellowships, research, loans, capital projects, and debt service funds. The restricted expendable net position decreased due to spending for capital outlay projects and debt service payments.

- *Unrestricted*

The unrestricted net position represents all other net resources available to the University for general and educational obligations. Under U.S. generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, the predominant portions of the unrestricted net position are designated by statute for specific programs or projects related to certain revenue sources. The University, an agency of the State of California, considers statutory restrictions as internally imposed restrictions rather than externally imposed restrictions.

These resources are derived from fee collections and other activities that are designated for very specific purposes and are not to be repurposed and spent for other activities. For example, students pay fees, including housing, parking, and campus activities fees, all of which are to be used for specific designated purposes as described in the State of California Education Code. The University also has certain designated resources that represent amounts pledged to support the SRB program.

At June 30, 2020, unrestricted net position reflects a deficit of \$18.81 billion due primarily to the implementation of GASB Statement No. 68 (pension) during 2015, and the implementation of GASB Statement No. 75 (OPEB) in 2018. These Statements require the University to record its share of the State's actuarially determined liabilities for pension and OPEB. Unrestricted net position decreased \$597.69 million in 2020.

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**Discretely Presented Component Units' Financial Position**

In 2020, the discretely presented component units (DPCUs) managed \$5.21 billion of assets, representing 23.36% of the University's \$22.30 billion combined total assets. In 2019, \$4.99 billion of assets were managed by the discretely presented component units, representing 24.18% of the combined total assets.

The philanthropic activities of the University are managed mostly by the discretely presented component units. The restricted cash and cash equivalents, pledges receivables, and endowment investments increased from \$2 billion in 2019 to \$2.09 billion in 2020. This represents 9.39% and 9.71% of the combined total assets for 2020 and 2019, respectively.

The claims liability for losses and loss adjustment expenses decreased from of \$60.45 million in 2019 to \$53.98 million in 2020. These are mainly the liabilities from the California State University Risk Management Authority, a discretely presented component unit.

The restricted net position, expendable and nonexpendable, of the discretely presented component units was \$2.60 billion, representing 93.51% of the combined restricted net position in 2020. In 2019, the restricted net position of discretely presented component units was \$2.48 billion, representing 92.67% of the combined restricted net position.

The combined University and discretely presented component units' net position reflects a deficit of \$11.48 billion in 2020 when compared to \$11.14 billion deficit in 2019.

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**Results of Operations**

The Statement of Revenues, Expenses and Changes in Net Position represents the University's and its discretely presented component units' result of operations. Major components are operating revenues, operating expenses, and nonoperating revenues (expenses). A condensed comparative presentation of the results of operations follows for the years ended June 30, 2020 and 2019:

|  | University      |              | Discretely presented<br>component units |           |
|--|-----------------|--------------|---|-----------|
|  | 2020            | 2019         | 2020                                    | 2019      |
|  | (In thousands)  |              |   |           |
| Operating revenues:                              |                 |              |   |           |
| Student tuition and fees, net                    | \$ 2,175,170    | 2,197,925    | 196,983                                 | 191,565   |
| Grants and contracts, noncapital                 | 70,304          | 79,131       | 586,416                                 | 596,454   |
| Sales and services of educational activities     | 39,923          | 47,655       | 43,650                                  | 47,906    |
| Sales and services of auxiliary enterprises, net | 455,639         | 560,234      | 439,576                                 | 498,896   |
| Other operating revenues                         | 247,890         | 254,648      | 264,676                                 | 256,013   |
| Total operating revenues                         | 2,988,926       | 3,139,593    | 1,531,301                               | 1,590,834 |
| Operating expenses                               | 10,460,792      | 9,683,523    | 1,743,663                               | 1,784,670 |
| Operating loss                                   | (7,471,866)     | (6,543,930)  | (212,362)                               | (193,836) |
| Nonoperating revenues (expenses):                |                 |              |   |           |
| State appropriations, noncapital                 | 4,734,349       | 4,102,570    | —                                       | —         |
| Financial aid grants, noncapital                 | 2,060,158       | 1,980,562    | 3,100                                   | 2,746     |
| Grants and gifts, noncapital                     | 304,741         | 59,029       | 178,295                                 | 189,943   |
| Investment income, net                           | 173,420         | 204,813      | 39,953                                  | 66,692    |
| Endowment income, net                            | 35              | 20           | 38,684                                  | 59,479    |
| Interest expense                                 | (275,191)       | (259,621)    | (20,301)                                | (23,033)  |
| Other nonoperating revenues (expenses)           | (80,124)        | (45,449)     | 3,753                                   | (7,667)   |
| Net nonoperating revenues                        | 6,917,388       | 6,041,924    | 243,484                                 | 288,160   |
| Income (loss) before other revenues (expenses)   | (554,478)       | (502,006)    | 31,122                                  | 94,324    |
| State appropriations, capital                    | 5,236           | 34,972       | —                                       | —         |
| Grants and gifts, capital                        | 63,361          | 60,141       | 8,447                                   | 31,413    |
| Additions to permanent endowments                | —               | —            | 106,803                                 | 100,239   |
| Change in net position                           | (485,881)       | (406,893)    | 146,372                                 | 225,976   |
| Net position – beginning of year                 | (14,581,167)    | (14,174,274) | 3,438,164                               | 3,212,188 |
| Net position – end of year                       | \$ (15,067,048) | (14,581,167) | 3,584,536                               | 3,438,164 |

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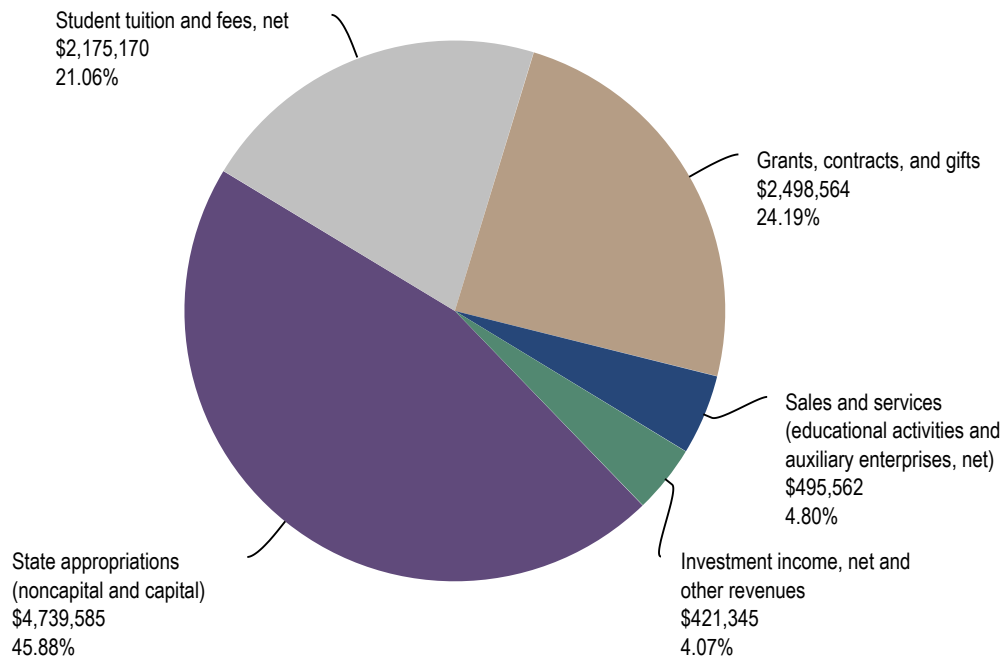
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**Revenues (Operating and Nonoperating)**

The University's two major sources of revenues are state appropriations and student tuition and fees, net, which accounted for a combined 66.94% and 66.12% of total revenues in 2020 and 2019, respectively. State appropriations are received for both noncapital and capital purposes. Another major source of revenues are grants, contracts, and gifts which represent 24.19% of total revenues in 2020. This includes revenues from student financial aid and funding through the HEERF authorized by the CARES Act enacted into law in April 2020.

**Revenues (Operating and Nonoperating)**  
**(In thousands)**



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The University's total revenues consisted of the following:

|  | 2020<br>(In thousands) | Percentage<br>of total | 2019<br>(In thousands) | Percentage<br>of total |
|--|------------------------|------------------------|------------------------|------------------------|
| State appropriations (noncapital and capital)                              | \$ 4,739,585           | 45.88 %                | \$ 4,137,542           | 43.18 %                |
| Student tuition and fees, net  | 2,175,170              | 21.06                  | 2,197,925              | 22.94                  |
| Grants, contracts, and gifts   | 2,498,564              | 24.19                  | 2,178,863              | 22.74                  |
| Sales and services (educational activities and auxiliary enterprises), net | 495,562                | 4.80                   | 607,889                | 6.34                   |
| Investment income, net and other revenues                                  | 421,345                | 4.07                   | 459,481                | 4.80                   |
| <b>Total revenues (operating and nonoperating)</b>                         | <b>\$ 10,330,226</b>   | <b>100.00 %</b>        | <b>\$ 9,581,700</b>    | <b>100.00 %</b>        |

*State Appropriations (Noncapital and Capital)*

The University's state appropriations (noncapital and capital) consisted of the following:

|  | 2020<br>(In thousands) | 2019<br>(In thousands) |
|--|------------------------|------------------------|
| State appropriations, general fund                         | \$ 4,346,139           | 3,776,457              |
| State's contribution on behalf of the University for OPEB  | 388,210                | 326,113                |
| <b>Total state appropriations, noncapital</b>              | <b>4,734,349</b>       | <b>4,102,570</b>       |
| State appropriations, capital                              | 5,236                  | 34,972                 |
| <b>Total state appropriations (noncapital and capital)</b> | <b>\$ 4,739,585</b>    | <b>4,137,542</b>       |

The state general fund appropriations increased from \$3.78 billion in 2019 to \$4.35 billion in 2020. The increase of \$0.57 billion was to augment funding for the graduation initiative 2025, enrollment growth support, employee compensation, mandatory cost increases, deferred maintenance and other miscellaneous support.

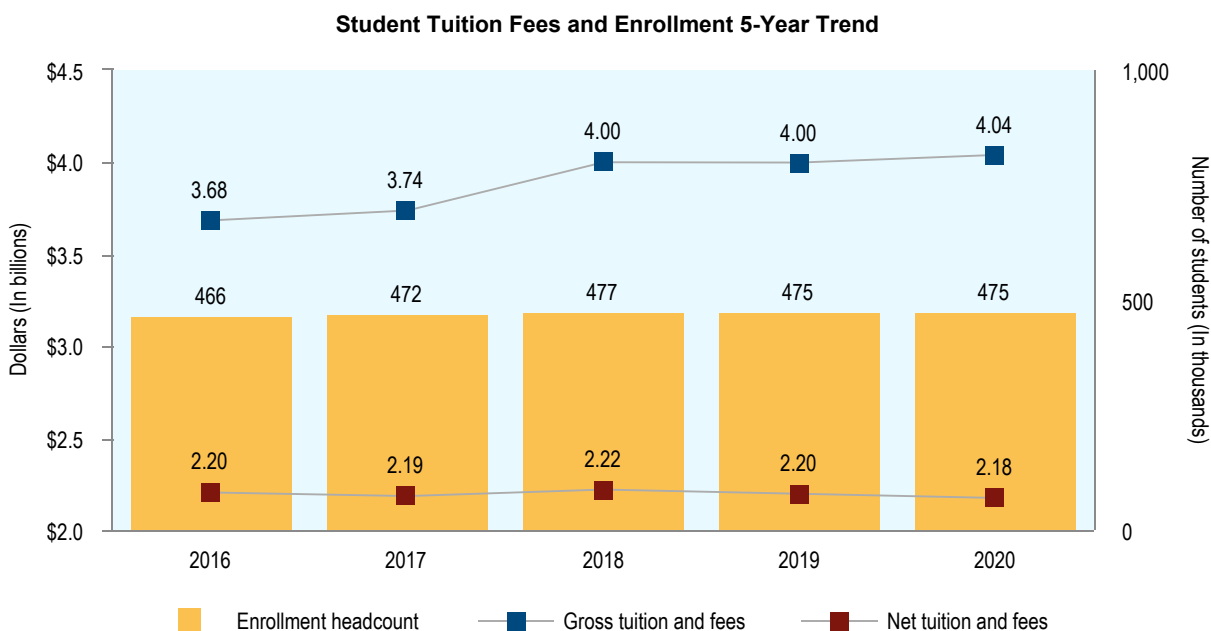
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*Student Tuition and Fees, Net*

The student tuition and fees (before scholarship allowances) remained consistent with prior year at \$4.04 billion. The following chart displays the five-year trend between enrollment headcount and student tuition and fees:



The gross student tuition fees revenue reflects an increasing trend over the last five years. This is mainly driven by student enrollment growth in the last five years. In addition to student enrollment growth, the increase in tuition rates effective in academic year 2017-2018 resulted in the upward trend in 2018.

The University offers eligible students fee waivers and institutional grants to be applied against student tuition and fees. This is in addition to federal agencies, state agencies, and nongovernmental grantor's student financial aid grants. Collectively, these are referred to as scholarship allowance; an offset to the gross student tuition and fees. The increasing gap between the gross and net student tuition and fees reflects growth in the waivers and financial aid grants made available to students. During the last three years, approximately half of the student tuition and fees were paid through waivers and financial aid grants, as shown in the table below.

|                                | 2020           | 2019      |
|--------------------------------|----------------|-----------|
|                                | (In thousands) |           |
| Gross student tuition and fees | \$ 4,040,242   | 3,998,779 |
| Less: Institutional grants     | (786,717)      | (802,370) |
| Less: Financial aid grants     | (1,078,355)    | (998,484) |
| Net student tuition and fees   | \$ 2,175,170   | 2,197,925 |



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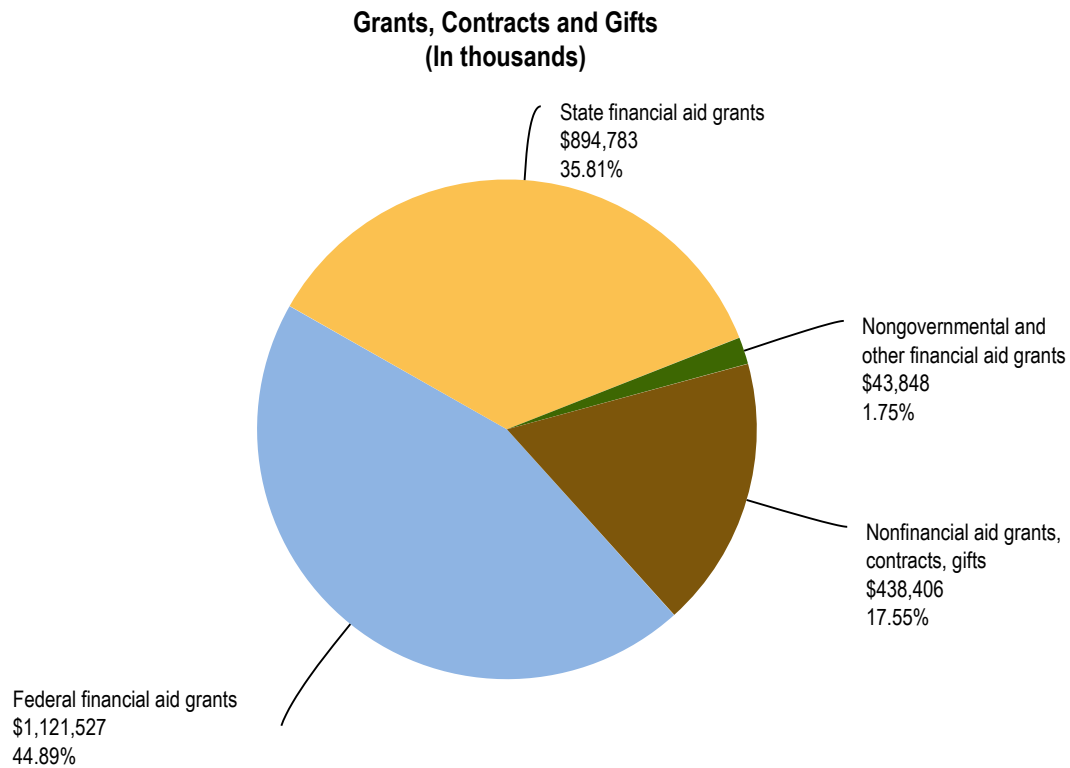
*Sales and Services (Educational Activities and Auxiliary Enterprise)*

Sales and services of educational activities include revenues related incidentally to the conduct of instruction, research, and public service, and revenues for activities that exist to provide instructional and laboratory experience for students and that incidentally create goods and services that may be sold to faculty, students, staff, and the general public. Net revenues from sales and services of educational activities amounted to \$39.92 million, a decrease from \$47.66 million in 2019.

Auxiliary enterprises exist predominantly to furnish goods or services to students, faculty, or staff, for a fee. Net revenues from sales and services of auxiliary enterprises, which are primarily for student housing and parking, amounted to \$455.64 million, which is a \$104.59 million decrease when compared to 2019. The decrease is due to loss of revenue resulting from the University's response to the pandemic by transitioning to primarily virtual instructional approach towards the last quarter of 2020.

*Grants, Contracts and Gifts*

Grants, contracts and gifts revenues are derived substantially from the student financial aid grants from federal agencies, state agencies, and nongovernmental grantors. Major federal financial aid grants came from the Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study. Major state financial aid grants came from Cal Grants and Middle Class Scholarship.



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Student financial aid grants from federal and state agencies were \$1.12 billion and \$894.78 million, respectively. A combined increase of \$0.08 billion from previous year. The financial aid increases are due to more eligible students and higher aid per student.

The remainder of the grants, contracts and gifts include non-financial aid grants, contracts, changes to permanent endowments, and gifts (capital and noncapital), which amounted to \$438.41 million, or 17.55%, of total grants, contracts, and gifts. This included \$245.05 million of HEERF grants mainly used for emergency aid to students, including but not limited to grants for food, housing, course materials, technology, health care, and childcare. Further, gifts received from discretely presented component units amounted to \$70.19 million.

*Investment and Endowment Income, Net*

Investment and endowment income for 2020 is \$173.46 million, which is \$31.38 million lower when compared to the prior year. This is primarily due to lower earnings for TRP investments.

**Expenses (Operating and Nonoperating)**

The University's total expenses of \$10.82 billion is comprised of operating expenses of \$10.46 billion, or 96.71%, and nonoperating expenses of \$355.31 million, or 3.29%.

*Operating Expenses*

When the mission-critical educational support activities of student services, academic support, student grants and scholarships, public service, and research are added to direct classroom instruction, the total instruction and educational support activities account for 70.10% and 70.31% of the 2020 and 2019 total operating expenses of the University, respectively.

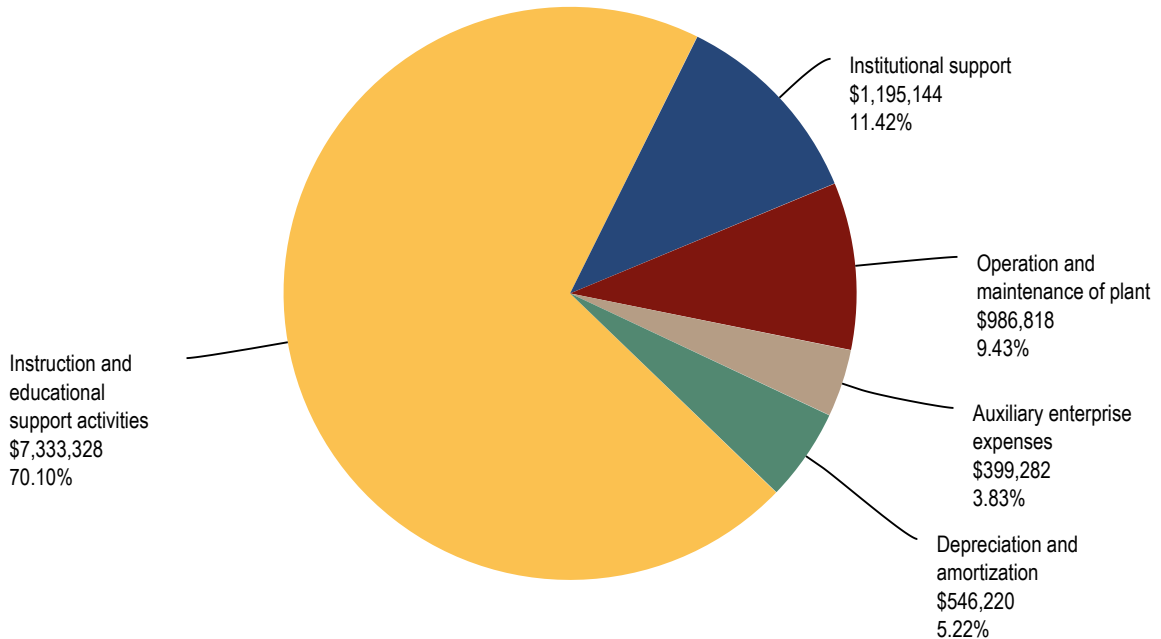
|  | 2020<br>(In thousands) | Percentage<br>of total | 2019<br>(In thousands) | Percentage<br>of total |
|--|------------------------|------------------------|------------------------|------------------------|
| Instruction  | \$ 3,853,279           | 36.84 %                | \$ 3,614,639           | 37.33 %                |
| Research   | 57,249                 | 0.55                   | 80,580                 | 0.83                   |
| Public service                                       | 58,867                 | 0.56                   | 71,870                 | 0.74                   |
| Academic support                                     | 1,028,607              | 9.83                   | 1,042,756              | 10.77                  |
| Student services                                     | 1,139,403              | 10.89                  | 1,083,497              | 11.19                  |
| Student grants and scholarships                      | 1,195,923              | 11.43                  | 915,286                | 9.45                   |
| Total instruction and educational support activities | <u>7,333,328</u>       | <u>70.10</u>           | <u>6,808,628</u>       | <u>70.31</u>           |
| Institutional support                                | 1,195,144              | 11.42                  | 1,021,045              | 10.54                  |
| Operation and maintenance of plant                   | 986,818                | 9.43                   | 892,396                | 9.22                   |
| Auxiliary enterprise expenses                        | 399,282                | 3.83                   | 440,354                | 4.55                   |
| Depreciation and amortization                        | 546,220                | 5.22                   | 521,100                | 5.38                   |
| Total operating expenses                             | <u>\$ 10,460,792</u>   | <u>100.00 %</u>        | <u>\$ 9,683,523</u>    | <u>100.00 %</u>        |

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**Operating Expenses**  
 (In thousands)



- **Salaries**

The University's salaries increased from \$3.72 billion in 2019 to \$3.89 billion in 2020. The increase is due mainly to employee salary rate increases during the year and higher employee headcount. The majority of the increase in salaries are in instruction and education support of \$130.74 million, in institutional support of \$27.46 million, and in operation and maintenance of plant of \$6.02 million.

- **Benefits**

The University's benefits increased from \$2.91 billion in 2019 to \$3.23 billion in 2020. The majority of the increase in benefits are in instruction and educational support of \$165.10 million. The overall increase was related to changes in pension expenses.

The pension related benefits expense increased by \$287.01 million in 2020 due mainly to additional pension liability which included the impact of service costs, interest, unfavorable experience compared to the expected and lower investment earnings. The other benefits expense increased by \$35.47 million due to increase in benefits rates and employee headcount. The OPEB expense decreased by \$6.95 million in 2020, due mainly to the smoothing effect of the changes in the assumptions and differences between actual and expected experience.

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- *Scholarships and Fellowships*

The scholarship and fellowships, which represent financial aid directly paid to students, increased from \$0.92 billion in 2019 to \$1.20 billion in 2020. The increase is mainly due to the HEERF grants given to eligible students under the CARES Act enacted in April 2020.

**Discretely Presented Component Units' Results of Operations**

The discretely presented component units managed \$1.91 billion of revenues, representing 15.61% of the University's \$12.24 billion combined total revenues. This is lower compared to the 17.56% in prior year due to decrease in major revenues resulting from the significant changes to the delivery of instruction due to the coronavirus

The discretely presented component units managed \$776.26 million grants contracts, and gifts revenues, representing 23.70% of the \$3.27 billion combined total. Discretely presented component units fund many student co-curricular activities, administer research programs, raise funds, operate student unions, offer recreational programs, coordinate commercial enterprises, and develop public-private partnerships on behalf of the University.

**Factors Impacting Future Periods**

The impact of COVID-19 global pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. The University is continually monitoring the potential impacts of the COVID-19 pandemic and its effects on the financial statements. The extent to which the COVID-19 global pandemic impacts the operations going forward will depend on numerous evolving factors, which cannot be reliably predicted at this time.

On June 29, 2020, the State of California Budget Act of 2020 was signed. In the final budget for fiscal year 2020-21, the state reduced permanent base funding to the University by \$299 million, and removed \$315 million in one-time funding. The University's operating budget for fiscal year 2020-21 includes General Fund appropriation for operations of \$3.34 billion and for academic facilities and infrastructure of \$340.56 million.

The University has been proactive in mitigating the impact of the decrease in General Fund appropriation. The University implemented several cost-control measures. The CSU has and will continue to attempt to minimize negative impacts of the COVID-19 global pandemic.

**Subsequent Events**

The following information describes significant events that occurred subsequent to June 30, 2020, but prior to the date of the auditors' report.

- The Central Utility Plant Replacement project at California State University, Fresno, procured through a public-private partnership, was approved by the Trustees on January 2021. In February 2021, the Trustees entered into a project agreement with a private development partner, to design, build, finance and maintain the generation and distribution of heating and cooling services throughout the campus, and install ground mounted solar photovoltaic systems. The total project cost is approximately \$170 million and will be funded primarily through financing provided by the private development partner. The private development partner will be compensated through availability payments by the University for capital investment in the project and services relating to maintenance, management and life-cycle component, subject to deductions for performance failures.
- In December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 was signed. This new law gives the U.S. Department of Education approximately \$22.7 billion to distribute to institutions of higher education in order to prevent, prepare for, and respond to coronavirus through the HEERF. The University have

**CALIFORNIA STATE UNIVERSITY**  
 Management's Discussion and Analysis

June 30, 2020

(Unaudited)

been awarded a total of \$853 million, of which \$262 million are for student financial aid grants and \$591 million for institutional support grants.

- *SRB Issuance*

In September 2020, the University issued \$314.03 million of SRB Series 2020C (Tax Exempt), \$528.58 million of SRB Series 2020D (Taxable) and \$466.01 million of SRB Series 2020E (Taxable). The new bonds were issued to fund various capital projects, redeem maturing BANs, refund a portion of outstanding SRB Series 2011A and a portion of the SRB Series 2012A bonds.

- *BAN Issuance*

The University issued the BANs for the following capital projects:

|  | <b>Amount<br/>(In thousands)</b> |
|--|----------------------------------|
| San Diego State University Mission Valley Real Property Acquisition and Site Development | \$ 88,970                        |
| Long Beach Hillside Renovation   | 31,230                           |
| Long Beach Housing Expansion Phase 1 Administration and Commons Building                 | 18,735                           |
| San Diego State University Mission Valley Multi-Use Stadium                              | 17,410                           |
| Monterey Bay Capital Improvement   | 11,745                           |
| Fresno New Student Union Project (2nd Tranche)   | 8,461                            |
| Total  | <u>\$ 176,551</u>                |

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# BASIC FINANCIAL STATEMENTS

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**CALIFORNIA STATE UNIVERSITY**

Statement of Net Position

June 30, 2020

(In thousands)

| <b>Assets</b>   | <b>University</b> | <b>Discretely<br/>presented<br/>component units</b> | <b>Total</b>      |
|---|-------------------|---|-------------------|
| <b>Current assets:</b>  |                   |   |                   |
| Cash and cash equivalents   | \$ 11,317         | 269,946   | 281,263           |
| Short-term investments  | 3,936,203         | 912,878   | 4,849,081         |
| Accounts receivable, net  | 205,891           | 239,547   | 445,438           |
| Capital lease receivable, current portion                                 | 12,723            | 6,268   | 18,991            |
| Notes receivable, current portion   | 13,363            | 129,345   | 142,708           |
| Pledges receivable, net   | 2,000             | 86,412  | 88,412            |
| Prepaid expenses and other current assets                                 | 68,090            | 34,061  | 102,151           |
| Total current assets  | <u>4,249,587</u>  | <u>1,678,457</u>                                    | <u>5,928,044</u>  |
| <b>Noncurrent assets:</b>   |                   |   |                   |
| Restricted cash and cash equivalents                                      | 201               | 56,075  | 56,276            |
| Accounts receivable, net  | 37,786            | 22,509  | 60,295            |
| Capital lease receivable, net of current portion                          | 217,728           | 156,730   | 374,458           |
| Notes receivable, net of current portion                                  | 373,142           | 19,304  | 392,446           |
| Student loans receivable, net   | 50,783            | 419   | 51,202            |
| Pledges receivable, net   | —                 | 139,524   | 139,524           |
| Endowment investments   | 1,677             | 1,812,599   | 1,814,276         |
| Other long-term investments   | 1,996,078         | 411,656   | 2,407,734         |
| Capital assets, net   | 10,139,549        | 871,445   | 11,010,994        |
| Other assets  | 27,214            | 41,642  | 68,856            |
| Total noncurrent assets   | <u>12,844,158</u> | <u>3,531,903</u>                                    | <u>16,376,061</u> |
| Total assets  | <u>17,093,745</u> | <u>5,210,360</u>                                    | <u>22,304,105</u> |
| <b>Deferred Outflows of Resources</b>                                     |                   |   |                   |
| Deferred outflows of resources  | 2,984,024         | 36,209  | 3,020,233         |
| <b>Liabilities</b>  |                   |   |                   |
| <b>Current liabilities:</b>   |                   |   |                   |
| Accounts payable  | 288,569           | 113,300   | 401,869           |
| Accrued salaries and benefits   | 427,283           | 29,774  | 457,057           |
| Accrued compensated absences, current portion                             | 112,812           | 15,516  | 128,328           |
| Unearned revenues   | 285,738           | 94,989  | 380,727           |
| Capital lease obligations, current portion                                | 20,897            | 10,769  | 31,666            |
| Long-term debt obligations, current portion                               | 171,661           | 145,126   | 316,787           |
| Claims liability for losses and loss adjustment expenses, current portion | —                 | 16,416  | 16,416            |
| Depository accounts   | 13,201            | 15,506  | 28,707            |
| Other liabilities   | 144,970           | 84,528  | 229,498           |
| Total current liabilities   | <u>1,465,131</u>  | <u>525,924</u>                                      | <u>1,991,055</u>  |

**CALIFORNIA STATE UNIVERSITY**

Statement of Net Position

June 30, 2020

(In thousands)

|  | <u>University</u> | <u>Discretely<br/>presented<br/>component units</u> | <u>Total</u>      |
|--|-------------------|---|-------------------|
| <b>Noncurrent liabilities:</b>   |                   |   |                   |
| Accrued compensated absences, net of current portion                             | \$ 157,199        | 7,013   | 164,212           |
| Unearned revenues  | 6,980             | 59,890  | 66,870            |
| Grants refundable  | 48,781            | 4,242   | 53,023            |
| Capital lease obligations, net of current portion                                | 336,175           | 236,004   | 572,179           |
| Long-term debt obligations, net of current portion                               | 7,870,106         | 447,080   | 8,317,186         |
| Claims liability for losses and loss adjustment expenses, net of current portion | —                 | 37,561  | 37,561            |
| Depository accounts  | 2,243             | 23,446  | 25,689            |
| Total other postemployment benefits liability                                    | 14,498,545        | 119,543   | 14,618,088        |
| Net pension liability  | 8,190,770         | 99,240  | 8,290,010         |
| Other liabilities  | 116,579           | 42,584  | 159,163           |
| <b>Total noncurrent liabilities</b>  | <b>31,227,378</b> | <b>1,076,603</b>                                    | <b>32,303,981</b> |
| <b>Total liabilities</b>   | <b>32,692,509</b> | <b>1,602,527</b>                                    | <b>34,295,036</b> |

**Deferred Inflows of Resources**

|                               |           |        |           |
|-------------------------------|-----------|--------|-----------|
| Deferred inflows of resources | 2,452,308 | 59,506 | 2,511,814 |
|-------------------------------|-----------|--------|-----------|

**Net Position**

|                                  |                        |                  |                     |
|----------------------------------|------------------------|------------------|---------------------|
| <b>Net position:</b>             |                        |                  |                     |
| Net investment in capital assets | 3,566,992              | 329,264          | 3,896,256           |
| Restricted for:                  |                        |                  |                     |
| Nonexpendable – endowments       | 1,677                  | 1,414,654        | 1,416,331           |
| Expendable:                      |                        |                  |                     |
| Scholarships and fellowships     | 22,596                 | 250,401          | 272,997             |
| Research                         | 113                    | 24,950           | 25,063              |
| Loans                            | 22,881                 | 4,849            | 27,730              |
| Capital projects                 | 83,879                 | 115,102          | 198,981             |
| Debt service                     | 28,315                 | 8,294            | 36,609              |
| Others                           | 20,826                 | 780,934          | 801,760             |
| Unrestricted                     | (18,814,327)           | 656,088          | (18,158,239)        |
| <b>Total net position</b>        | <b>\$ (15,067,048)</b> | <b>3,584,536</b> | <b>(11,482,512)</b> |

See accompanying notes to financial statements.



**CALIFORNIA STATE UNIVERSITY**

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2020

(in thousands)

|   | <u>University</u>  | <u>Discretely<br/>presented<br/>component units</u> | <u>Eliminations</u> | <u>Total</u>       |
|---|--------------------|---|---------------------|--------------------|
| <b>Revenues:</b>  |                    |   |                     |                    |
| Operating revenues:   |                    |   |                     |                    |
| Student tuition and fees (net of University scholarship allowances of \$1,865,072)                  | \$ 2,175,170       | 196,983   | (5,210)             | 2,366,943          |
| Grants and contracts, noncapital:   |                    |   |                     |                    |
| Federal   | 45,255             | 381,768   | (8)                 | 427,015            |
| State   | 8,267              | 122,754   | (90)                | 130,931            |
| Local   | 2,700              | 20,015  | —                   | 22,715             |
| Nongovernmental   | 14,082             | 61,879  | (440)               | 75,521             |
| Sales and services of educational activities  | 39,923             | 43,650  | (211)               | 83,362             |
| Sales and services of auxiliary enterprises (net of University scholarship allowances of \$106,201) | 455,639            | 439,576   | (3,383)             | 891,832            |
| Other operating revenues  | 247,890            | 264,676   | (10,285)            | 502,281            |
| Total operating revenues  | <u>2,988,926</u>   | <u>1,531,301</u>                                    | <u>(19,627)</u>     | <u>4,500,600</u>   |
| <b>Expenses:</b>  |                    |   |                     |                    |
| Operating expenses:   |                    |   |                     |                    |
| Instruction   | 3,853,279          | 124,302   | (3,970)             | 3,973,611          |
| Research  | 57,249             | 234,053   | (946)               | 290,356            |
| Public service  | 58,867             | 206,183   | (235)               | 264,815            |
| Academic support  | 1,028,607          | 102,352   | (11,056)            | 1,119,903          |
| Student services  | 1,139,403          | 193,170   | (13,775)            | 1,318,798          |
| Institutional support   | 1,195,144          | 247,442   | (20,705)            | 1,421,881          |
| Operation and maintenance of plant  | 986,818            | 51,606  | (14,476)            | 1,023,948          |
| Student grants and scholarships   | 1,195,923          | 87,380  | (34,565)            | 1,248,738          |
| Auxiliary enterprise expenses   | 399,282            | 439,035   | (6,642)             | 831,675            |
| Depreciation and amortization   | 546,220            | 58,140  | —                   | 604,360            |
| Total operating expenses  | <u>10,460,792</u>  | <u>1,743,663</u>                                    | <u>(106,370)</u>    | <u>12,098,085</u>  |
| Operating loss  | <u>(7,471,866)</u> | <u>(212,362)</u>                                    | <u>86,743</u>       | <u>(7,597,485)</u> |

**CALIFORNIA STATE UNIVERSITY**

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2020

(in thousands)

|  | <u>University</u>      | <u>Discretely<br/>presented<br/>component units</u> | <u>Eliminations</u> | <u>Total</u>        |
|--|------------------------|---|---------------------|---------------------|
| <b>Nonoperating revenues (expenses):</b>                   |                        |   |                     |                     |
| State appropriations, noncapital                           | \$ 4,734,349           | —   | —                   | 4,734,349           |
| Federal financial aid grants, noncapital                   | 1,121,527              | 833   | —                   | 1,122,360           |
| State financial aid grants, noncapital                     | 894,783                | 1,895   | —                   | 896,678             |
| Local financial aid grants, noncapital                     | —                      | 115   | —                   | 115                 |
| Nongovernmental and other financial aid grants, noncapital | 43,848                 | 257   | (30,034)            | 14,071              |
| Other federal nonoperating grants, noncapital              | 249,027                | 111   | —                   | 249,138             |
| Gifts, noncapital  | 55,714                 | 178,184   | (40,973)            | 192,925             |
| Investment income, net                                     | 173,420                | 39,953  | —                   | 213,373             |
| Endowment income, net                                      | 35                     | 38,684  | —                   | 38,719              |
| Interest expense   | (275,191)              | (20,301)  | —                   | (295,492)           |
| Other nonoperating revenues (expenses)                     | (80,124)               | 3,753   | 13,479              | (62,892)            |
| Net nonoperating revenues                                  | <u>6,917,388</u>       | <u>243,484</u>                                      | <u>(57,528)</u>     | <u>7,103,344</u>    |
| Income (loss) before other revenues                        | (554,478)              | 31,122  | 29,215              | (494,141)           |
| <br>   |                        |   |                     |                     |
| State appropriations, capital                              | 5,236                  | —   | —                   | 5,236               |
| Grants and gifts, capital                                  | 63,361                 | 8,447   | (29,215)            | 42,593              |
| Additions to permanent endowments                          | —                      | 106,803   | —                   | 106,803             |
| Increase (decrease) in net position                        | <u>(485,881)</u>       | <u>146,372</u>                                      | <u>—</u>            | <u>(339,509)</u>    |
| <br>   |                        |   |                     |                     |
| <b>Net position:</b>                                       |                        |   |                     |                     |
| Net position at beginning of year                          | <u>(14,581,167)</u>    | <u>3,438,164</u>                                    | <u>—</u>            | <u>(11,143,003)</u> |
| Net position at end of year                                | <u>\$ (15,067,048)</u> | <u>3,584,536</u>                                    | <u>—</u>            | <u>(11,482,512)</u> |

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY**

Statement of Cash Flows

Year ended June 30, 2020

(In thousands)

|   | <b>University</b>  |
|---|--------------------|
| <b>Cash flows from operating activities:</b>              |                    |
| Student tuition and fees                                  | \$ 2,105,508       |
| Federal grants and contracts                              | 47,640             |
| State grants and contracts                                | 12,075             |
| Local grants and contracts                                | 2,008              |
| Nongovernmental grants and contracts                      | 16,425             |
| Payments to suppliers                                     | (1,611,144)        |
| Payments to employees                                     | (3,857,581)        |
| Payments for benefits                                     | (1,970,764)        |
| Payments to students                                      | (1,196,317)        |
| Collections of student loans                              | 2,853              |
| Sales and services of educational activities              | 39,771             |
| Sales and services of auxiliary enterprises               | 435,725            |
| Other receipts  | 275,594            |
|   | <u>(5,698,207)</u> |
| Net cash used in operating activities                     |                    |
| <b>Cash flows from noncapital financing activities:</b>   |                    |
| State appropriations                                      | 4,344,361          |
| Federal financial aid grants                              | 1,124,294          |
| State financial aid grants                                | 891,725            |
| Nongovernmental and other financial aid grants            | 43,833             |
| Other federal nonoperating grants                         | 248,251            |
| Gifts and grants received for other than capital purposes | 50,638             |
| Federal loan program receipts                             | 1,401,994          |
| Federal loan program disbursements                        | (1,409,141)        |
| Monies received on behalf of others                       | 186,672            |
| Monies disbursed on behalf of others                      | (188,343)          |
| Transfers to escrow agent                                 | (59,052)           |
| Proceeds from long-term debt                              | 59,245             |
| Principal paid on long-term debt                          | (22,650)           |
| Interest paid on long-term debt                           | (27,906)           |
| Issuance of notes receivable                              | (2,544)            |
| Principal collections on capital leases                   | 3,387              |
| Interest collections on capital leases                    | 1,385              |
| Principal collections on notes receivable                 | 13,269             |
| Interest collections on notes receivable                  | 19,794             |
| Other noncapital financing activities                     | (100,689)          |
|   | <u>6,558,253</u>   |
| Net cash provided by noncapital financing activities      |                    |

**CALIFORNIA STATE UNIVERSITY**

Statement of Cash Flows

Year ended June 30, 2020

(In thousands)

|  | <u>University</u> |
|--|-------------------|
| <b>Cash flows from capital and related financing activities:</b> |                   |
| Proceeds from capital debt                                       | \$ 1,713,632      |
| State appropriations   | 25,476            |
| State appropriations – SPWB Lease Revenue Bond program           | 207               |
| Capital grants and gifts   | 44,195            |
| Proceeds from sale of capital assets                             | 35,928            |
| Acquisition of capital assets                                    | (1,051,744)       |
| Transfers to escrow agent  | (226,478)         |
| Principal paid on capital debt and leases                        | (366,987)         |
| Interest paid on capital debt and leases                         | (314,736)         |
| Principal collection on capital leases                           | 6,376             |
| Interest collection on capital leases                            | 5,371             |
|  | <hr/>             |
| Net cash used in capital and related financing activities        | (128,760)         |
|  | <hr/>             |
| <b>Cash flows from investing activities:</b>                     |                   |
| Proceeds from sales of investments                               | 11,090,706        |
| Purchases of investments   | (11,954,640)      |
| Investment income proceeds                                       | 126,571           |
|  | <hr/>             |
| Net cash used in investing activities                            | (737,363)         |
|  | <hr/>             |
| Net decrease in cash and cash equivalents                        | (6,077)           |
| Cash and cash equivalents at beginning of year                   | 17,595            |
| Cash and cash equivalents at end of year                         | \$ 11,518         |
|  | <hr/> <hr/>       |
| <b>Summary of cash and cash equivalents at end of year:</b>      |                   |
| Cash and cash equivalents  | \$ 11,317         |
| Restricted cash and cash equivalents                             | 201               |
|  | <hr/>             |
| Total cash and cash equivalents at end of year                   | \$ 11,518         |
|  | <hr/> <hr/>       |

**CALIFORNIA STATE UNIVERSITY**

Statement of Cash Flows

Year ended June 30, 2020

(In thousands)

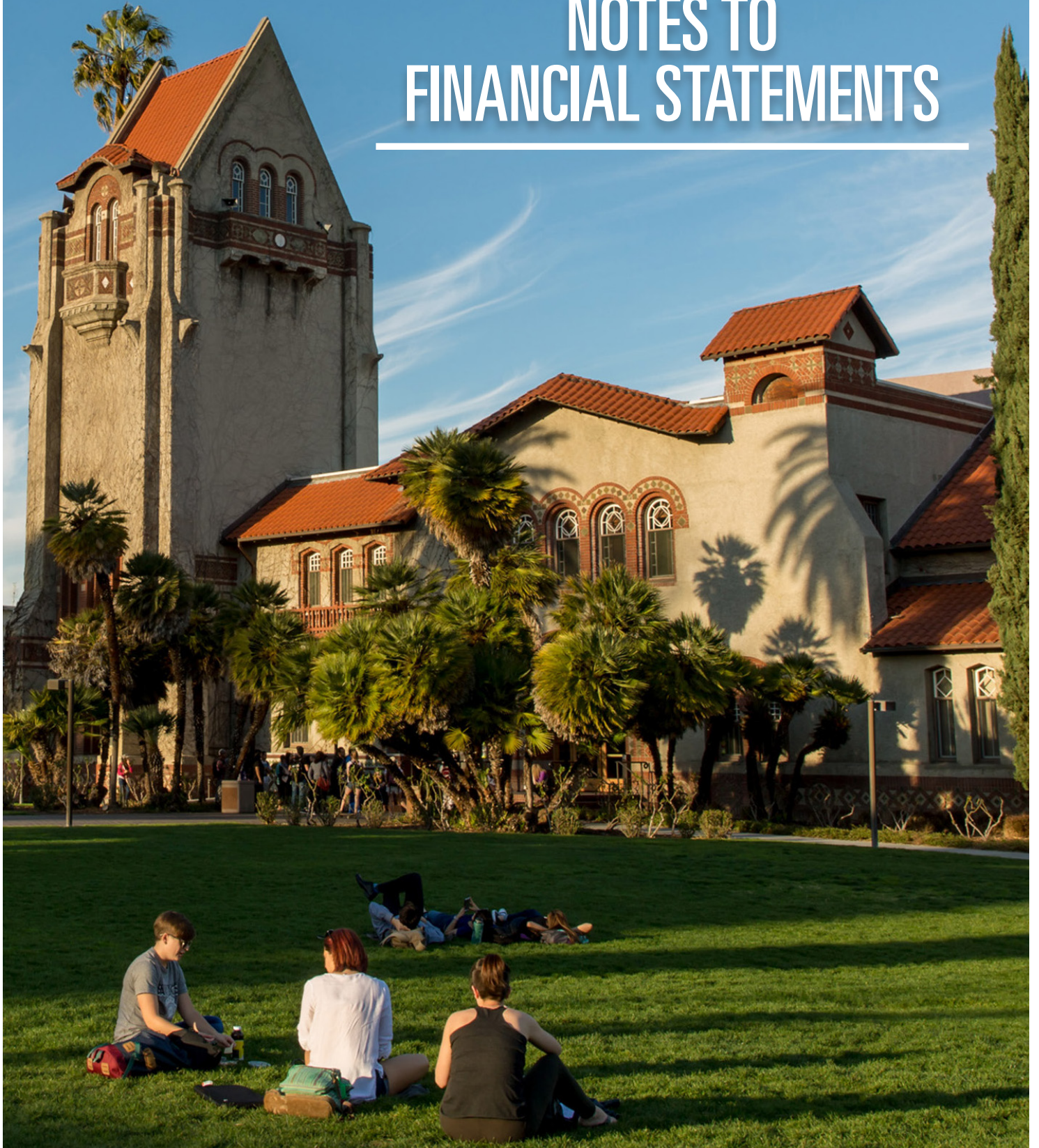
|   | <u>University</u>     |
|---|-----------------------|
| <b>Reconciliation of operating loss to net cash used in operating activities:</b> |                       |
| Operating loss  | \$ (7,471,866)        |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                       |
| Depreciation and amortization   | 546,220               |
| Change in assets and liabilities:   |                       |
| Accounts receivable, net  | 9,336                 |
| Student loans receivable, net   | (894)                 |
| Prepaid expenses and other current assets   | 9,827                 |
| Other assets  | 1,379                 |
| Deferred outflows of resources  | (164,235)             |
| Accounts payable  | (17,565)              |
| Accrued salaries and benefits   | 5,649                 |
| Accrued compensated absences  | 30,050                |
| Unearned revenues   | (38,869)              |
| Depository accounts   | 128                   |
| Total other postemployment benefits liability                                     | 1,388,592             |
| Other liabilities   | (13,821)              |
| Deferred inflows of resources   | (439,657)             |
| Net cash used in operating activities   | <u>\$ (5,698,207)</u> |
| <b>Supplemental schedule of noncash transactions:</b>                             |                       |
| State's contribution for OPEB   | \$ 388,210            |
| Acquisition of capital assets through capital lease                               | 73,804                |
| Other assets paid through long-term debt  | 54,678                |
| Amortization of net bond premium  | 35,562                |
| Contributed capital assets  | 18,726                |
| Change in accrued capital asset purchases   | 12,365                |

See accompanying notes to financial statements.

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# NOTES TO FINANCIAL STATEMENTS

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# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2020

(In thousands)

### (1) Organization

California State University (the University) was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, who is the chief executive officer of the University, and the University presidents, who are the chief executive officers of the respective campuses. In addition to the Office of the Chancellor, the following 23 campuses comprise the California State University at June 30, 2020:

- California State University, Bakersfield
- California State University Channel Islands
- California State University, Chico
- California State University, Dominguez Hills
- California State University, East Bay
- California State University, Fresno
- California State University, Fullerton
- Humboldt State University
- California State University, Long Beach
- California State University, Los Angeles
- California State University Maritime Academy
- California State University, Monterey Bay
- California State University, Northridge
- California State Polytechnic University, Pomona
- California State University, Sacramento
- California State University, San Bernardino
- San Diego State University
- San Francisco State University
- San José State University
- California Polytechnic State University, San Luis Obispo
- California State University San Marcos
- Sonoma State University
- California State University, Stanislaus

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2020

(In thousands)

The University provides instruction for baccalaureate, masters', doctorate, and certificate programs, and operates various auxiliary enterprises, such as student housing and parking facilities. In addition, the University administers a variety of financial aid programs that are funded primarily through state and federal programs.

### **(2) Summary of Significant Accounting Policies**

#### **(a) Financial Reporting Entity**

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*, the accompanying financial statements present the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows of the 23 campuses and the Office of the Chancellor of the University.

In addition, the accompanying financial statements include the accounts of the 91 discretely presented component units, which are primarily University-related recognized auxiliary organizations. These discretely presented component units are legally separate entities that provide services primarily to the University and its students. Recognized auxiliary organizations include foundations, associated students, student unions, auxiliary services, university corporations, and similar organizations. Foundations, whose net position comprises approximately 79.02% of the discretely presented component unit totals, carry out a variety of campus-related activities. Such activities consist primarily of administering grants from governmental and private agencies for research, as well as soliciting and accepting donations, gifts, and bequests for University-related use. Separate financial statements are issued for each of the discretely presented component units and may be obtained from the individual campuses.

The discretely presented component units are as follows:

- California State University, Bakersfield Foundation
- Associated Students, California State University, Bakersfield, Inc.
- 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 Foundation
- California State University Institute
- California State University Risk Management Authority
- California State University, Channel Islands Foundation
- Associated Students of California State University Channel Islands, Inc.
- CI University Auxiliary Services, Inc.
- California State University Channel Islands Financing Authority
- California State University Channel Islands Site Authority
- Chico State Enterprises (formerly The CSU, Chico Research Foundation)



## CALIFORNIA STATE UNIVERSITY

### Notes to Financial Statements

June 30, 2020

(In thousands)

- The University Foundation, California State University, Chico
- Associated Students of California State University, Chico
- California State University, Dominguez Hills Foundation
- California State University, Dominguez Hills Philanthropic Foundation
- Associated Students, Inc., California State University, Dominguez Hills
- The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills
- Cal State East Bay Educational Foundation, Inc.
- California State University, East Bay Foundation, Inc.
- Associated Students, Inc. of California State University, East Bay
- California State University, Fresno Foundation
- The Agricultural Foundation of California State University, Fresno
- The Bulldog Foundation (Fresno)
- Associated Students California State University, Fresno
- California State University, Fresno Athletic Corporation
- California State University, Fresno Association, Inc.
- Fresno State Programs for Children, Inc.
- Cal State Fullerton Philanthropic Foundation
- Associated Students, California State University, Fullerton, Inc.
- CSU Fullerton Auxiliary Services Corporation
- Humboldt State University Foundation
- Humboldt State University Sponsored Programs Foundation
- Associated Students of Humboldt State University
- Humboldt State University Center Board of Directors
- California State University, Long Beach Research Foundation
- CSULB 49er Foundation
- Associated Students, Inc., California State University, Long Beach
- Forty-Niner Shops, Inc. (Long Beach)
- California State University, Los Angeles Foundation
- Associated Students of California State University, Los Angeles, Inc.

## CALIFORNIA STATE UNIVERSITY

### Notes to Financial Statements

June 30, 2020

(In thousands)

- University-Student Union at California State University, Los Angeles
- Cal State L.A. University Auxiliary Services, Inc.
- California Maritime Academy Foundation, Inc.
- Associated Students of the California Maritime Academy
- Foundation of California State University, Monterey Bay
- University Corporation at Monterey Bay
- Otter Student Union at CSU Monterey Bay
- California State University, Northridge Foundation
- Associated Students, California State University, Northridge, Inc.
- University Student Union California State University, Northridge
- The University Corporation (Northridge)
- North Campus - University Park Development Corporation (Northridge)
- Cal Poly Pomona Foundation, Inc.
- Associated Students, Inc., California State Polytechnic University, Pomona
- Cal Poly Pomona Philanthropic Foundation \*
- The University Foundation at Sacramento State
- Associated Students of California State University, Sacramento
- University Union Operation of California State University, Sacramento
- University Enterprises, Inc. (Sacramento)
- Capital Public Radio, Inc. (Sacramento)
- CSUSB Philanthropic Foundation
- Associated Students, Incorporated, California State University, San Bernardino
- Santos Manuel Student Union of California State University, San Bernardino
- University Enterprises Corporation at CSUSB
- San Diego State University Research Foundation
- The Campanile Foundation (San Diego)
- Associated Students of San Diego State University
- Aztec Shops, Ltd. (San Diego)
- San Francisco State University Foundation
- Associated Students of San Francisco State University

# CALIFORNIA STATE UNIVERSITY

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(In thousands)

- The University Corporation, San Francisco State
- San José State University Research Foundation
- Tower Foundation of San José State University
- Associated Students of San José State University
- The Student Union of San José State University
- Spartan Shops, Inc. (San José)
- California Polytechnic State University Foundation (San Luis Obispo)
- Associated Students, Inc., California Polytechnic State University, San Luis Obispo
- Cal Poly Corporation (San Luis Obispo)
- California State University San Marcos Foundation
- Associated Students, Inc. of California State University San Marcos
- California State University San Marcos Corporation
- Sonoma State University Foundation
- Associated Students of Sonoma State University
- Sonoma State Enterprises, Inc.
- California State University, Stanislaus Foundation
- Associated Students Incorporated of California State University, Stanislaus
- University Student Center of California State University, Stanislaus (formerly University Student Union of California State University, Stanislaus)
- California State University, Stanislaus Auxiliary and Business Services

*\*New in FY 2019/2020*

These component units are presented in the accompanying financial statements as discretely presented component units of the University due to the nature and significance of their relationship with the University. The relationships are such that exclusion of these organizations from the reporting entity would render the financial statements incomplete, primarily due to their close affiliation with the University. These organizations are discretely presented to allow the financial statement users to distinguish between the University and the component units. None of the component units are considered individually significant to the total discretely presented component units. All significant nonexchange transactions between the University and discretely presented component units have been eliminated from these financial statements.

The accompanying financial statements also include the Stockton Center Site Authority, and Fullerton Arboretum Authority, which are included as blended component units. These organizations primarily provide services to the University in the areas of asset management and student support. The University is financially accountable for these organizations.

# CALIFORNIA STATE UNIVERSITY

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(In thousands)

### **(b) Basis of Presentation**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

As a public institution, the University is considered a special-purpose government under the provisions of GASB Statements Nos. 34 and 35. The University records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the University to be reported in a single column in each of the financial statements, accompanied by aggregated financial information for the discretely presented component units, as discussed above. The effects of internal activities between funds or groups of funds have been eliminated from these financial statements.

### **(c) New Accounting Pronouncements**

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective for the University's fiscal year ended June 30, 2020. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The new accounting pronouncements below reflect the extended effective dates pursuant to GASB Statement No. 95.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the University's fiscal year beginning July 1, 2020. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefits) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust fund or equivalent arrangement that meets specific criteria. The University is evaluating the effect GASB Statement No. 84 will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2021. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The University is evaluating the effect GASB Statement No. 87 will have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the University's fiscal year beginning July 1, 2021. This Statement requires that interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The University is evaluating the effect GASB Statement No. 89 will have on its financial statements.

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In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, effective for the University's fiscal year beginning July 1, 2020. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. When a majority equity interest meets the definition of an investment as defined by GASB, the equity interest is to be reported as an investment for financial reporting purposes and measured using the equity method. Majority equity interests that do not meet the definition of an investment are to be reported as a component unit. This Statement also provides guidance for valuing the acquisition of assets and liabilities of 100% equity interests that remain legally separate, and brings this reporting in line with existing standards that apply to acquisitions that do not remain legally separate. The University is evaluating the effect GASB Statement No. 90 will have on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the University's fiscal year beginning July 1, 2022. This Statement clarifies the definition of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. The University is evaluating the effect GASB Statement No. 91 will have on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, effective for the University's fiscal year beginning July 1, 2021. This Statement addresses a variety of topics including issues related to leases and implementation guides, intra-entity transfers of assets, fiduciary activities, asset retirement obligations, and postemployment benefits (pensions and OPEB). The University is evaluating the effect GASB Statement No. 92 will have on its financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, effective for the University's fiscal year beginning July 1, 2021. This Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The University is evaluating the effect GASB Statement No. 93 will have on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the University's fiscal year beginning July 1, 2022. This Statement is intended to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The University is evaluating the effect GASB Statement No. 94 will have on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the University's fiscal year beginning July 1, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The University is evaluating the effect GASB Statement No. 96 will have on its financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for the University's fiscal year beginning July 1, 2021. This Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The University is evaluating the effect GASB Statement No. 97 will have on its financial statements.

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(In thousands)

### **(d) Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities**

The University considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the Statement of Net Position date. Liabilities that reasonably can be expected, as part of normal University business operations, to be liquidated within 12 months of the Statement of Net Position date are considered to be current. All other assets and liabilities are considered noncurrent. For classification of current and noncurrent investments, refer to note 2(f).

### **(e) Cash and Cash Equivalents and Statement of Cash Flows**

The University considers highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The University considers amounts included in the California State University (CSU) Consolidated Investment Pool to be investments.

The Statement of Cash Flows does not include the cash flows of the discretely presented component units. Certain discretely presented component units are also participants in the CSU Consolidated Investment Pool. The University considers changes in the equity in the CSU Consolidated Investment Pool as investing cash flows of the University in the accompanying Statement of Cash Flows.

### **(f) Investments**

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying Statement of Revenues, Expenses, and Changes in Net Position as a component of investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted from withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt obligations, and restricted as to the liquidity of the investments are classified as other long-term investments.

The University invests in the Surplus Money Investment Fund (SMIF), an external investment pool. The State Treasurer invests the SMIF funds through the Pooled Money Investment Account (PMIA). PMIA policy sets as primary investment objectives safety, liquidity, and yield. The Investment Division of the State Treasurer's Office manages the PMIA under statutory authority granted by California Government Code Sections 16430 and 16480.4. The Pooled Money Investment Board governs the PMIA. The State Treasurer chairs this Board, which also includes the State Controller and the State Director of Finance.

### **(g) Accounts Receivable**

The University maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable based on types of receivables and expectations of repayment. In establishing the required allowance, management considers one or more of the following: types of receivable, state guidelines, historical losses adjusted to take into account current market conditions, the amount of receivable in dispute, the current receivable aging, and current payment patterns. The University reviews its allowance for doubtful accounts annually. Past-due balances over 90 days and over a specified amount are reviewed individually for collectibility.

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

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(In thousands)

### **(h) Capital Assets**

Capital assets are stated at cost or estimated historical cost if purchased, or, if donated, at estimated acquisition value (an entry price) at date of donation. Capital assets, including infrastructure and intangible assets, with an original value of five thousand dollars or more and with a useful life of over one year, are capitalized. Such cost includes, where applicable, interest capitalized as part of the cost of constructed capital assets. Title to all University assets, whether purchased, constructed, or donated, is held by the State. Although title is not with the University for land and buildings, the University has exclusive use of these assets and is responsible for the maintenance of these assets and thus has recorded the cost of these assets in the accompanying financial statements. Capital assets, with the exception of land and land improvements, works of art and historical treasures, construction work in progress, and certain intangible assets, are depreciated or amortized on a straight-line basis over their estimated useful lives, which ranges from 3 to 45 years. Library books, unless considered rare collections, are capitalized and depreciated over a 10-year period. Periodicals and subscriptions are expensed as purchased. Works of art and historical treasures are valued at cost, if purchased, or the acquisition value (an entry price) at the date of donation, if contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Depreciation and amortization expense is shown separately in the Statement of Revenues, Expenses, and Changes in Net Position rather than being allocated among other categories of operating expenses.

### **(i) Unearned Revenues**

Unearned revenues consist primarily of fees collected in advance for summer and fall terms and professional and continuing education programs.

### **(j) Compensated Absences**

Compensated absences are recognized, as either current or noncurrent liabilities, when the right to receive the compensation is earned by the employees from vested unpaid vacation and other paid leave programs. Unused sick leave balances are not included in the compensated absences because they do not vest to employees. Vacation is accrued on a monthly basis. The University uses an employee's current pay rate as of July 1, 2020 to calculate the liability for accrued compensated absences. The University provides vacation based on length of service and job classifications.

### **(k) Grants Refundable**

The University periodically receives contributions from the federal government in support of its operation of the Federal Perkins and Nursing Loan programs, both Title IV Loan programs. The federal government has the ability to terminate its support of these programs at any time and to request that the University return those contributions on a cumulative basis, such as the Federal Perkins Loan Program which has expired in fiscal year 2018. Accordingly, the federal contributions received and retained by the University at year-end are considered liabilities of the University and are reflected as such in the accompanying Statement of Net Position.

### **(l) Claims Liability for Losses and Loss Adjustment Expenses**

The claims liability for losses and loss adjustment expenses included in the aggregate discretely presented component units column of the financial statements includes California State University Risk Management Authority's (CSURMA) estimated ultimate cost of settling claims relating to events that have occurred on or before June 30, 2020. The liability includes the estimated amount that will be required for future payments of claims that

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

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(In thousands)

have been reported and claims related to events that have occurred but have not been reported. The liability is also reduced by estimated amounts recoverable from the reinsurance that is related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. The liability is not discounted.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

In the estimate of the unpaid losses and loss adjustment expenses, CSURMA and its consulting actuary have employed methods and assumptions they considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future losses may deviate from those estimates.

### **(m) *Deferred Outflows of Resources and Deferred Inflows of Resources***

The University classifies losses on debt refundings as deferred outflows of resources and amortizes it as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. Deferred outflows and inflows of resources related to differences between expected and actual experience and related to change in the University's proportionate share of pensionable compensation made subsequent to the measurement date are amortized over a closed period equal to the average employees' remaining service lives. The deferred outflows and inflows of resources related to differences between projected and actual earnings on pension plan investments are netted and amortized over a closed 5-year period.

Changes in total OPEB liability not included in OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the total OPEB liability are reported as deferred outflows of resources. Deferred outflows and inflows of resources related to differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average employees' remaining service lives.

### **(n) *Net Position***

The University's net position is classified into the following categories:

- Net Investment in Capital Assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources.
- Restricted:
  - Nonexpendable: Net position subject to externally imposed conditions that the University retains in perpetuity. Net position in this category consists of endowments held by the University or its related discretely presented component units.
  - Expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.



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## Notes to Financial Statements

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(In thousands)

- **Unrestricted:** All other categories of net position. In addition, unrestricted net position may have legislative or bond indenture requirements associated with their use or may be designated for use by management of the University. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas. University housing programs are a primary example of operations that have unrestricted net position with designated uses.

Restricted or unrestricted resources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expenses incurred, the University's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and retiree health benefits exceeding University assets available to pay such obligations.

### **(o) Classification of Revenues and Expenses**

The University considers operating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions and from other activities that are connected directly to the University's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities include the University's capital and noncapital appropriations from the State, financial aid grants, net investment income, noncapital gifts, interest expense, capital grants and gifts, and changes in permanent endowments.

The State appropriates funds to the University on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue in general when authorization is received and are reported as either noncapital appropriations when used to support general operations or capital appropriations when used for capital projects.

Student tuition and fees revenue, and sales and services of auxiliary enterprises, including revenues from student housing programs, are presented net of scholarships and fellowships applied to student accounts. Certain other scholarship and fellowships are paid directly to, or refunded to, the student and are reflected as operating expenses.

### **(p) Total Other Postemployment Benefits (OPEB) Liability**

The University's total OPEB liability is an actuarial accrued liability that reflects the present value of future healthcare benefits earned by employees up to June 30, 2019. The University's total OPEB liability is determined by discounting the projected benefit for current active employees and retirees based on the discount rate required by GASB Statement No. 75 for OPEB plans which do not have assets residing in a qualified trust. The University and the State fund their current OPEB expenses on a "pay-as-you-go" basis.

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(In thousands)

**(q) Net Pension Liability**

The University records a pension liability equal to the net pension liability for its proportionate share in the State's defined-benefit plans: the State's Miscellaneous Plan and the Peace Officers and Firefighters Plan (Agent Multiple-Employer Defined-Benefit Pension Plans). The net pension liability is measured as the University's proportionate share of the State's total pension liability, less the University's proportionate share of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the cost sharing defined-benefit plans has been measured consistent with the accounting policies used by the plans.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, information about the fiduciary net position of the pension plan, and additions to/ deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

**(r) Grant Revenues and Expenses**

The University records grant revenue when all applicable grant eligibility requirements are met. Expenses are recorded as expenditures are incurred. Expenditure-driven grant revenue is recorded as the expenditures are incurred, in amounts equal to the expenditures.

**(s) Internal Services Activities**

Certain institutional internal service providers offer goods and services to University departments, as well as to external customers. These include activities such as copy centers, postal services, and telecommunications. All significant internal service activities provided to University departments have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the internal service sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the fiscal year.

**(t) Income Taxes**

The University is an agency of the State and is treated as a governmental entity for tax purposes. As such, the University is generally not subject to federal or state income taxes. The component units are either exempt governmental entities or not-for-profit organizations exempt under IRC Section 501(c)(3). However, the University and its component units remain subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded. If there is net income from any unrelated trade or business, such provision, in the opinion of management, is not material to the financial statements taken as a whole.

**(u) Eliminations**

All significant nonexchange transactions between the University and its discretely presented component units have been eliminated from the total column and are separately presented in the eliminations column in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

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(In thousands)

### (v) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

### (w) *Risk and Uncertainties*

The Coronavirus Disease 2019 (COVID-19) has negatively affected national, state, and local economies along with global financial markets and the higher education landscape in general. While the future impact of the COVID-19 pandemic cannot be quantified at this time, the University continues to monitor its course and, if necessary, is prepared to take additional measures to protect the health and welfare of the University.

### (3) **Cash, Cash Equivalents, and Investments**

The University's cash, cash equivalents, and investments as of June 30, 2020 are classified in the accompanying Statement of Net Position as follows:

|   |    |                         |
|---|----|-------------------------|
| Cash and cash equivalents                     | \$ | 11,317                  |
| Restricted cash and cash equivalents          |    | 201                     |
| Total cash and cash equivalents               |    | <u>11,518</u>           |
| Short-term investments                        |    | 3,936,203               |
| Endowment investments                         |    | 1,677                   |
| Other long-term investments                   |    | 1,996,078               |
| Total investments                             |    | <u>5,933,958</u>        |
| Total cash, cash equivalents, and investments | \$ | <u><u>5,945,476</u></u> |

#### (a) *Cash and Cash Equivalents*

At June 30, 2020, cash and cash equivalents consist of demand deposits held at the State Treasury, commercial banks, and petty cash. Total cash and cash equivalents of \$11,518 had a corresponding carrying balance with the State Treasury and commercial banks of \$20,402 at June 30, 2020. The difference was primarily related to deposits in transit and outstanding checks.

Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis.

#### (i) *Custodial Credit Risk for Deposits*

Custodial credit risk for deposits is the risk that in the event of the failure of the custodian, the deposits may not be returned to the University. The University deposits are maintained at financial institutions that are Federal Deposit Insurance Corporation secured. As a result, custodial credit risk for deposits is remote.

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

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(In thousands)

### **(b) Investments**

The University's investment portfolio consists primarily of investments in the CSU Consolidated Investment Pool and SMIF. Separate accounting is maintained as to the amounts allocable to the various University funds and programs.

#### *(i) Investment Policy*

State law and regulations require that surplus monies of the University be invested. The objectives of the University's investment policy are to safeguard the principal, to meet liquidity needs of the University, and to obtain the best possible return commensurate with the degree of risk the University is willing to assume in obtaining such return. These objectives may be weighted or prioritized differently for individual portfolios depending on the purpose of the portfolio.

The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430, and Education Code Sections 89724 and 89725, subject to certain limitations. In general, the University's investment policy permits investments in obligations of the Federal and California state governments, certificates of deposit, high-quality domestic corporate fixed-income securities, and certain other investment instruments.

Effective January 1, 2017, changes to the Education and Government Code of the State expanded the permitted investments to include mutual funds, including equity mutual funds, subject to registration by, and under the regulatory authority of the United States Securities and Exchange Commission (SEC), or in United States registered real estate investment trusts, resulting in the establishment of the CSU Total Return Portfolio (TRP). Under State law, investment of funds in the TRP is subject to the University meeting certain conditions regarding investment oversight, reporting, and use of earnings, and may not exceed thirty percent of eligible investments thereafter. TRP investments amounted to \$1,110,236 as of June 30, 2020.

Additional earnings (if any) from TRP investments shall be used only for capital outlay or maintenance, and shall not be used for ongoing operations.

#### *(ii) Interest Rate Risk*

Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The University's investment guidelines for the Liquidity Portfolio manage its interest rate risk by limiting an eligible investment to maximum effective maturity and by limiting the average duration of the portfolio. There are no restrictions on the duration for the investments in the TRP. The effective maturity date reflects a bond with embedded options such as a call, put, or reset date, and prepayment speed resulting in the maturity of a bond being less than the final maturity date. Duration is a measure of the sensitivity of the price of an investment relative to fluctuations in market interest rates. Durations of the University's investment portfolio for each investment type, except for SMIF in which weighted average life is used, as of June 30, 2020 are presented in the following table:

**CALIFORNIA STATE UNIVERSITY**

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(In thousands)

| Investment type            | Fair value          | Duration |
|----------------------------|---------------------|----------|
| Money market funds         | \$ 188,045          | —        |
| Repurchase agreements      | 19,462              | 0.00273  |
| Certificates of deposit    | 128,927             | 0.18171  |
| U.S. agency securities     | 676,426             | 1.63563  |
| U.S. Treasury securities   | 1,518,103           | 1.16541  |
| Municipal bonds            | 2,560               | 0.90800  |
| Corporate bonds            | 851,290             | 1.04084  |
| Asset-backed securities    | 13,951              | 0.16480  |
| Mortgage-backed securities | 154                 | 1.74345  |
| Mutual funds               | 1,110,235           | 5.84117  |
| SMIF                       | 1,424,805           | 0.52329  |
| Total                      | <u>\$ 5,933,958</u> |          |

Another way the University manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity over time as necessary to provide cash flow and liquidity needed for operations.

*(iii) Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The University, except for investments in the TRP, invests in low credit risk securities such as U.S. government securities, securities of federally sponsored agencies, highly rated domestic corporate bonds, prime-rated commercial paper, repurchase and reverse repurchase agreements, banker's acceptance, and negotiable certificates of deposit. Therefore, the credit risk is low and occurrence of default risk is remote.

Investments in the TRP include SEC registered mutual funds invested per a target asset allocation which includes investment grade bonds, higher credit risk bonds (i.e. high yield bonds, bank loans, and emerging market bonds), equities and real assets. Risk for the TRP is viewed holistically and in the context of the overall CSU Consolidated Investment Pool, incorporating quantitative and qualitative assessments into oversight of the TRP. The University accepts a level of risk commensurate with the long-term investment goals of the TRP. The mutual fund investment managers are responsible for assessing the credit risk of the individual securities held in the mutual funds for the TRP. Moreover, certain passive index funds in the TRP will seek to replicate the credit risk of the underlying indices to which the index funds are benchmarked.

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### Notes to Financial Statements

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(In thousands)

Ratings of the University's investment portfolio for each investment type as of June 30, 2020 are presented in the following table:

| Investment type            | Fair value         | AAA            | AA               | A              | BB            | B              | Not rated        |
|----------------------------|--------------------|----------------|------------------|----------------|---------------|----------------|------------------|
| Money market funds         | \$ 188,045         | 128,858        | —                | —              | —             | —              | 59,187           |
| Repurchase agreements      | 19,462             | 19,462         | —                | —              | —             | —              | —                |
| Certificates of deposit    | 128,927            | 53,900         | —                | 75,027         | —             | —              | —                |
| U.S. agency securities     | 676,426            | 68,184         | 608,242          | —              | —             | —              | —                |
| U.S. Treasury securities   | 1,518,103          | 45,344         | 1,472,759        | —              | —             | —              | —                |
| Municipal bonds            | 2,560              | —              | —                | 2,560          | —             | —              | —                |
| Corporate bonds            | 851,290            | —              | 71,317           | 779,973        | —             | —              | —                |
| Asset-backed securities    | 13,951             | 13,951         | —                | —              | —             | —              | —                |
| Mortgage-backed securities | 154                | —              | 154              | —              | —             | —              | —                |
| Mutual funds               | 1,110,235          | 55,807         | 246,026          | —              | 16,401        | 109,818        | 682,183          |
| SMIF                       | 1,424,805          | —              | —                | —              | —             | —              | 1,424,805        |
| Total                      | <u>\$5,933,958</u> | <u>385,506</u> | <u>2,398,498</u> | <u>857,560</u> | <u>16,401</u> | <u>109,818</u> | <u>2,166,175</u> |

The mutual funds credit ratings are based on average credit ratings of the underlying mutual funds. Credit ratings for mutual fund related to equity and real estate asset are not applicable.

By law, the SMIF only invests in U.S. government securities, securities of federally sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit, and loans to various bond funds.

*(iv) Concentration Risk*

Concentration risk rises as investments become concentrated relative to a portfolio characteristic such as issuance, issuer, market sector, counterparty, or sovereign nation, and is best mitigated by diversification. The University's investment policy has concentration limits that provide sufficient diversification. As such, the concentration risk is remote.

As of June 30, 2020, the investments (excluding U.S. Treasury securities, mutual funds, and external investment pools) in Federal Home Loan Banks (\$386,868 or 6.52%) represented 5% or more of the University's investment portfolio.

*(v) Risk and Uncertainties*

The University may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that the changes could materially affect the amounts reported in the Statement of Net Position.

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2020

(In thousands)

The University, through the CSU Consolidated Investment Pool, invests in securities with contractual cash flows, such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

*(vi) Custodial Credit Risk*

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned to the University. Substantially all of the University's securities are registered in the University's name by the custodial bank as an agent for the University. As a result, custodial credit risk for such investments is remote.

*(vii) Fair Value Measurements*

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The University groups its assets and liabilities measured at fair value in three levels, based on markets in which the asset and liabilities are traded and the reliability of the assumptions used to determine fair value. The level in the fair value hierarchy with which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset and liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation.

## CALIFORNIA STATE UNIVERSITY

### Notes to Financial Statements

June 30, 2020

(In thousands)

The following table presents investments that are measured at fair value on a recurring basis at June 30, 2020:

| Investment type            | Fair value          | Level 2          | NAV            | Not required to be leveled |
|----------------------------|---------------------|------------------|----------------|----------------------------|
| Money market funds         | \$ 188,045          | —                | 188,045        | —                          |
| Repurchase agreements      | 19,462              | 19,462           | —              | —                          |
| Certificates of deposit    | 128,927             | 128,927          | —              | —                          |
| U.S. agency securities     | 676,426             | 676,426          | —              | —                          |
| U.S. Treasury securities   | 1,518,103           | 1,518,103        | —              | —                          |
| Municipal bonds            | 2,560               | 2,560            | —              | —                          |
| Corporate bonds            | 851,290             | 851,290          | —              | —                          |
| Asset-backed securities    | 13,951              | 13,951           | —              | —                          |
| Mortgage-backed securities | 154                 | 154              | —              | —                          |
| Mutual funds               | 1,110,235           | 1,110,235        | —              | —                          |
| SMIF                       | —                   | —                | —              | 1,424,805                  |
| Total                      | <u>\$ 4,509,153</u> | <u>4,321,108</u> | <u>188,045</u> | <u>1,424,805</u>           |

The following discussions describe the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair value are affected by the assumptions used.

Investments are classified in Level 1 as fair value is obtained at the last sale price on the last business day of the current fiscal year, as quoted on a recognized exchange or an industry standard pricing, when available. Investments for which no sale was reported as of the close of the last business day of the current fiscal year are valued at the quoted bid price provided by the University's external investment managers or their custodians. There were no investments classified in Level 1.

Investments are classified in Level 2 as fair value is calculated using valuations that include observable market quoted prices for similar assets or liabilities. Observable inputs other than quoted prices such as price services or indices, estimates, appraisals, assumptions, and other methods that are reviewed by management. Changes in market conditions and economic environments may impact the net asset value (NAV) and consequently, the fair value of the University's interests in the funds.

There were no assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Certain money market funds are not categorized under the fair value hierarchy and are shown at NAV. These investments are measured at amortized cost when calculating NAV per share (or its equivalent) of the investment.



# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2020

(In thousands)

*(viii) Foreign Currency Risk*

Foreign Currency Risk, also known as exchange rate risk, is the risk arising from fluctuations in the value of a base currency (U.S. dollar) against foreign currencies related to the underlying currency denomination of securities held for investment.

The majority of the Consolidated Investment Pool is invested in U.S. dollar denominated securities without foreign currency risk.

However, the TRP includes allocations to non-U.S. equities and non-dollar-denominated bonds in the underlying mutual funds for the TRP. The TRP Investment Policy includes an asset allocation policy with targets and acceptable ranges for each asset class included in the TRP, including non-U.S. equity and emerging markets bonds. Additionally, mutual funds utilized in other asset classes within the TRP may also have some foreign currency exposure. However, all mutual funds in the TRP are denominated in United States dollars.

*(viii) Discretely Presented Component Units' Investments*

Investments of the discretely presented component units at fair value consisted of the following at June 30, 2020:

| Investment type  | Current           | Noncurrent       | Total            |
|--|-------------------|------------------|------------------|
| Money market funds   | \$ 62,566         | 55,434           | 118,000          |
| Repurchase agreements  | 525               | 12               | 537              |
| Certificates of deposit  | 30,909            | 5,983            | 36,892           |
| U.S. agency securities   | 22,023            | 6,736            | 28,759           |
| U.S. Treasury securities   | 109,492           | 189,182          | 298,674          |
| Municipal bonds  | 4,833             | 8,757            | 13,590           |
| Corporate bonds  | 99,429            | 101,115          | 200,544          |
| Asset-backed securities  | 3,352             | 1,992            | 5,344            |
| Mortgage-backed securities                                       | 8,613             | 11,254           | 19,867           |
| Mutual funds   | 234,922           | 843,234          | 1,078,156        |
| Exchange-traded funds  | 38,430            | 170,410          | 208,840          |
| Equity securities  | 44,033            | 466,869          | 510,902          |
| Alternative investments:   |                   |                  |                  |
| Private equity (including limited partnerships)                  | 2,855             | 66,473           | 69,328           |
| Hedge funds  | 6,144             | 73,318           | 79,462           |
| Real estate investments (including real estate investment trust) | 2,928             | 40,426           | 43,354           |
| Commodities  | 282               | 12,871           | 13,153           |
| Other alternative investments                                    | 1,352             | 118,965          | 120,317          |
| Other external investment pools                                  | —                 | 24,591           | 24,591           |
| Local Agency Investment Fund (LAIF)                              | 238,546           | 2,289            | 240,835          |
| Other investments  | 1,644             | 24,344           | 25,988           |
| Total  | <u>\$ 912,878</u> | <u>2,224,255</u> | <u>3,137,133</u> |

## CALIFORNIA STATE UNIVERSITY

### Notes to Financial Statements

June 30, 2020

(In thousands)

The following table presents investments of the discretely presented component units that are measured at fair value on a recurring basis at June 30, 2020:

| Investment type  | Fair value          | Level 1          | Level 2        | Level 3        | NAV            |
|--|---------------------|------------------|----------------|----------------|----------------|
| Money market funds   | \$ 118,000          | 103,505          | 6,158          | —              | 8,337          |
| Repurchase agreements  | 537                 | —                | 537            | —              | —              |
| Certificates of deposit  | 36,892              | 2,379            | 34,513         | —              | —              |
| U.S. agency securities   | 28,759              | 4,248            | 24,511         | —              | —              |
| U.S. Treasury securities   | 298,674             | 168,317          | 130,357        | —              | —              |
| Municipal bonds  | 13,590              | 5,244            | 8,346          | —              | —              |
| Corporate bonds  | 200,544             | 138,305          | 54,648         | —              | 7,591          |
| Asset-backed securities  | 5,344               | 80               | 5,264          | —              | —              |
| Mortgage-backed securities                                       | 19,867              | 5,353            | 14,514         | —              | —              |
| Mutual funds   | 1,078,156           | 1,005,785        | 6,176          | 42,601         | 23,594         |
| Exchange-traded funds  | 208,840             | 164,488          | 44,352         | —              | —              |
| Equity securities  | 510,902             | 495,356          | 3,052          | 978            | 11,516         |
| Alternative investments:   |                     |                  |                |                |                |
| Private equity (including limited partnerships)                  | 69,328              | 1,253            | 1,059          | 12,059         | 54,957         |
| Hedge funds  | 79,462              | —                | —              | 3,946          | 75,516         |
| Real estate investments (including real estate investment trust) | 43,354              | 511              | 3,139          | 14,667         | 25,037         |
| Commodities  | 13,153              | —                | —              | —              | 13,153         |
| Other alternative investments                                    | 120,317             | 268              | 923            | —              | 119,126        |
| Other external investment pools                                  | 24,591              | —                | —              | 24,591         | —              |
| LAIF   | 240,835             | —                | —              | —              | 240,835        |
| Other investments  | 25,988              | 23,217           | 633            | 2,138          | —              |
| Total  | <u>\$ 3,137,133</u> | <u>2,118,309</u> | <u>338,182</u> | <u>100,980</u> | <u>579,662</u> |

For additional information regarding the investments and investment policies of the individual discretely presented component units, refer to their separately issued financial statements.

Investments reported by the University of \$61,731 are invested under contractual agreements on behalf of the discretely presented component units of the University.

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2020

(In thousands)

**(4) Accounts Receivable**

Accounts receivable of the University at June 30, 2020 consisted of the following:

|  | <b>Current</b>    | <b>Noncurrent</b> | <b>Total</b>   |
|--|-------------------|-------------------|----------------|
| State appropriations                                   | \$ 830            | 34,252            | 35,082         |
| State appropriations – SPWB Lease Revenue Bond program | —                 | 1,255             | 1,255          |
| Discretely presented component units                   | 52,125            | 1,736             | 53,861         |
| Student accounts                                       | 93,265            | —                 | 93,265         |
| Government grants and contracts                        | 27,258            | —                 | 27,258         |
| Others   | 43,200            | 543               | 43,743         |
|  | <u>216,678</u>    | <u>37,786</u>     | <u>254,464</u> |
| Less allowance for doubtful accounts                   | (10,787)          | —                 | (10,787)       |
| <b>Total</b>   | <b>\$ 205,891</b> | <b>37,786</b>     | <b>243,677</b> |

**(5) Capital Lease Receivable**

The University has entered into capital lease agreements with certain discretely presented component units using proceeds from issuance of SRB and BANs to lease existing and newly constructed facilities to the discretely presented component units amounting to \$202,190. Interest rates range from 2% to 5.55%. Lease payments are due twice a year on May 1 and November 1. Under the capital lease agreements, payments are due to the University as follows:

Fiscal year ending June 30:

|  |                   |
|--|-------------------|
| 2021   | \$ 25,938         |
| 2022   | 21,400            |
| 2023   | 23,573            |
| 2024   | 23,616            |
| 2025   | 23,515            |
| 2026 - 2030  | 119,789           |
| 2031 - 2035  | 54,946            |
| 2036 - 2040  | 22,901            |
| 2041 - 2045  | 6,723             |
| 2046 - 2050  | 4,037             |
| <b>Total minimum lease payments to be received</b>                   | <b>326,438</b>    |
| Less amounts representing interest                                   | (95,987)          |
| <b>Present value of future minimum lease payments to be received</b> | <b>230,451</b>    |
| Less current portion   | (12,723)          |
| <b>Capital lease receivable, net of current portion</b>              | <b>\$ 217,728</b> |

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2020

(In thousands)

### (6) Notes Receivable

The University has entered into note agreements primarily with certain discretely presented component units to finance its existing and newly constructed facilities. Notes receivable from discretely presented component units amounted to \$385,190. Interest rates range from 2% to 6.48%. Note payments are due twice a year, on May 1 and November 1.

Under the agreements, payments are due to the University as follows:

|  |                   |
|--|-------------------|
| Fiscal year ending June 30:                                  |                   |
| 2021   | \$ 31,564         |
| 2022   | 32,594            |
| 2023   | 31,344            |
| 2024   | 31,002            |
| 2025   | 30,974            |
| 2026 - 2030  | 148,681           |
| 2031 - 2035  | 129,009           |
| 2036 - 2040  | 97,084            |
| 2041 - 2045  | 62,782            |
| 2046 - 2050  | 28,175            |
| Total minimum note payments to be received                   | <u>623,209</u>    |
| Less amounts representing interest                           | <u>(236,704)</u>  |
| Present value of future minimum note payments to be received | 386,505           |
| Less current portion   | <u>(13,363)</u>   |
| Notes receivable, net of current portion                     | <u>\$ 373,142</u> |

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2020

(In thousands)

**(7) Capital Assets**

Capital assets activity for the University for the year ended June 30, 2020 consisted of the following:

|  | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Ending<br/>balance</u> |
|--|------------------------------|------------------|--------------------|------------------|---------------------------|
| Nondepreciable/nonamortizable capital assets:                  |                              |                  |                    |                  |                           |
| Land and land improvements                                     | \$ 281,916                   | 4,426            | (540)              | —                | 285,802                   |
| Works of art and historical treasures                          | 50,100                       | 3,481            | —                  | —                | 53,581                    |
| Construction work in progress                                  | 1,156,638                    | 965,863          | (6,310)            | (857,119)        | 1,259,072                 |
| Intangible assets  | 38,997                       | 11,927           | (4,386)            | (5,338)          | 41,200                    |
| <b>Total nondepreciable/<br/>nonamortizable capital assets</b> | <b>1,527,651</b>             | <b>985,697</b>   | <b>(11,236)</b>    | <b>(862,457)</b> | <b>1,639,655</b>          |
| Depreciable/amortizable capital assets:                        |                              |                  |                    |                  |                           |
| Buildings and building improvements                            | 13,169,288                   | 117,541          | (44,477)           | 796,450          | 14,038,802                |
| Improvements other than buildings                              | 752,293                      | 6,347            | (776)              | 18,685           | 776,549                   |
| Infrastructure   | 1,250,573                    | 16,592           | (704)              | 35,442           | 1,301,903                 |
| Personal property:   |                              |                  |                    |                  |                           |
| Equipment  | 904,571                      | 45,486           | (17,213)           | 6,542            | 939,386                   |
| Library books and materials                                    | 386,023                      | 7,666            | (6,120)            | —                | 387,569                   |
| Intangible assets  | 275,481                      | 4,371            | (1,644)            | 5,338            | 283,546                   |
| <b>Total depreciable/<br/>amortizable capital assets</b>       | <b>16,738,229</b>            | <b>198,003</b>   | <b>(70,934)</b>    | <b>862,457</b>   | <b>17,727,755</b>         |
| <b>Total cost</b>  | <b>18,265,880</b>            | <b>1,183,700</b> | <b>(82,170)</b>    | <b>—</b>         | <b>19,367,410</b>         |
| Less accumulated depreciation/amortization:                    |                              |                  |                    |                  |                           |
| Buildings and building improvements                            | (6,307,656)                  | (402,641)        | 21,149             | —                | (6,689,148)               |
| Improvements other than buildings                              | (539,129)                    | (28,906)         | 744                | —                | (567,291)                 |
| Infrastructure   | (592,007)                    | (40,699)         | 422                | —                | (632,284)                 |
| Personal property:   |                              |                  |                    |                  |                           |
| Equipment  | (675,658)                    | (60,097)         | 15,833             | —                | (719,922)                 |
| Library books and materials                                    | (356,445)                    | (6,280)          | 6,120              | —                | (356,605)                 |
| Intangible assets  | (256,608)                    | (7,652)          | 1,649              | —                | (262,611)                 |
| <b>Total accumulated<br/>depreciation/amortization</b>         | <b>(8,727,503)</b>           | <b>(546,275)</b> | <b>45,917</b>      | <b>—</b>         | <b>(9,227,861)</b>        |
| <b>Net capital assets</b>                                      | <b>\$ 9,538,377</b>          | <b>637,425</b>   | <b>(36,253)</b>    | <b>—</b>         | <b>10,139,549</b>         |

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2020

(In thousands)

Capital assets activity of the discretely presented component units of the University for the year ended June 30, 2020 consisted of the following:

|  | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Ending<br/>balance</u> |
|--|------------------------------|------------------|--------------------|------------------|---------------------------|
| Nondepreciable/nonamortizable capital assets:          |                              |                  |                    |                  |                           |
| Land and land improvements                             | \$ 132,976                   | 5,220            | (2,693)            | —                | 135,503                   |
| Works of art and historical treasures                  | 9,213                        | 5,397            | (1,688)            | —                | 12,922                    |
| Construction work in progress                          | 145,552                      | 48,915           | (71,683)           | (51,386)         | 71,398                    |
| Intangible assets                                      | 10,031                       | 1,796            | (4,997)            | (193)            | 6,637                     |
| Total nondepreciable/<br>nonamortizable capital assets | <u>297,772</u>               | <u>61,328</u>    | <u>(81,061)</u>    | <u>(51,579)</u>  | <u>226,460</u>            |
| Depreciable/amortizable capital assets:                |                              |                  |                    |                  |                           |
| Buildings and building improvements                    | 774,038                      | 23,985           | (15,196)           | 9,672            | 792,499                   |
| Improvements other than buildings                      | 170,816                      | 10,366           | (9,390)            | 33,967           | 205,759                   |
| Infrastructure   | 67,693                       | —                | —                  | —                | 67,693                    |
| Personal property:                                     |                              |                  |                    |                  |                           |
| Equipment  | 230,417                      | 15,406           | (7,321)            | 7,747            | 246,249                   |
| Intangible assets                                      | 8,044                        | 126              | (578)              | 193              | 7,785                     |
| Total depreciable/<br>amortizable capital assets       | <u>1,251,008</u>             | <u>49,883</u>    | <u>(32,485)</u>    | <u>51,579</u>    | <u>1,319,985</u>          |
| Total cost   | <u>1,548,780</u>             | <u>111,211</u>   | <u>(113,546)</u>   | <u>—</u>         | <u>1,546,445</u>          |
| Less accumulated depreciation/<br>amortization:        |                              |                  |                    |                  |                           |
| Buildings and building improvements                    | (337,682)                    | (25,251)         | 7,672              | —                | (355,261)                 |
| Improvements other than buildings                      | (97,012)                     | (13,375)         | 4,822              | —                | (105,565)                 |
| Infrastructure   | (24,241)                     | (1,692)          | —                  | —                | (25,933)                  |
| Personal property:                                     |                              |                  |                    |                  |                           |
| Equipment  | (170,795)                    | (17,577)         | 6,294              | —                | (182,078)                 |
| Intangible assets                                      | (6,476)                      | (260)            | 573                | —                | (6,163)                   |
| Total accumulated<br>depreciation/amortization         | <u>(636,206)</u>             | <u>(58,155)</u>  | <u>19,361</u>      | <u>—</u>         | <u>(675,000)</u>          |
| Net capital assets                                     | <u>\$ 912,574</u>            | <u>53,056</u>    | <u>(94,185)</u>    | <u>—</u>         | <u>871,445</u>            |

For additional information regarding the capital assets of the individual discretely presented component units of the University, refer to their separately issued financial statements.

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2020

(In thousands)

### (8) Lease Obligations

The University is obligated under various capital and operating leases and installment purchase agreements for the acquisition of equipment and facility rentals. A substantial amount of the capital leases are a result of the University's participation with the State in the State Public Works Board (SPWB) Lease Revenue Bond program. The University has participated in this program since 1986 in connection with the construction of campus facilities and related equipment.

As part of the annual budget process, the State of California Department of Finance augments the University's operating budget to provide additional funds for the required lease payments. The capital lease obligations related to the SPWB Lease Revenue Bond program amounted to \$143,410 at June 30, 2020. Total capital assets related to these capital leases have a carrying value of \$159,905 at June 30, 2020. The leases have terms expiring in various years through 2035. These capital leases consist primarily of leases of campus facilities, but also include certain computer, energy efficiency equipment, and telecommunications equipment. Total capital assets related to these capital leases have a carrying value of \$223,454 at June 30, 2020. The leases bear interest at rates ranging from 0.04% to 10% and have terms expiring in various years through 2049.

Operating leases consist primarily of leases for the use of real property. The University's operating leases expire in various years through 2099. The leases can be canceled if the State does not provide adequate funding. Some of these leases are with discretely presented component units for the rental of office space used in the operations of the University. Total operating lease expenditures for the year ended June 30, 2020 were \$41,694 of which \$25,721 was paid to related discretely presented component units.

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year as of June 30, 2020 are as follows:

|   | Capital leases | Operating leases |
|---|----------------|------------------|
| Fiscal year ending June 30:                       |                |                  |
| 2021  | \$ 39,272      | 38,752           |
| 2022  | 36,790         | 32,542           |
| 2023  | 36,492         | 20,882           |
| 2024  | 34,812         | 18,476           |
| 2025  | 33,969         | 18,112           |
| 2026 - 2030                                       | 157,807        | 63,904           |
| 2031 - 2035                                       | 139,036        | 27,222           |
| 2036 - 2040                                       | 36,930         | 24,476           |
| 2041 - 2045                                       | 19,484         | 18,789           |
| 2046 - thereafter                                 | 12,369         | 2,444            |
| Total minimum lease payments                      | 546,961        | \$ 265,599       |
| Less amount representing interest                 | (190,405)      |                  |
| Present value of future minimum lease payments    | 356,556        |                  |
| Unamortized net premium                           | 516            |                  |
| Total capital lease obligations                   | 357,072        |                  |
| Less current portion                              | (20,897)       |                  |
| Capital lease obligations, net of current portion | \$ 336,175     |                  |

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2020

(In thousands)

### (9) Long-Term Debt Obligations

#### (a) *State's General Obligation Bond Program*

The General Obligation Bond program of the State has provided capital outlay funds for the three segments of California Higher Education through voter-approved bonds. Each of the approved bond programs provides a pool of available funds, which is allocated on a project-by-project basis among the University, the University of California, and the Community Colleges. Financing provided to the University through the State's General Obligation Bonds is not allocated to the University by the State. This debt remains as obligation of the State and is funded by state tax revenues. Accordingly, such debt is not reflected in the accompanying financial statements. The total General Obligation Bonds carried by the State related to the University projects is approximately \$2,050,623 as of June 30, 2020.

#### (b) *Systemwide Revenue Bond Program*

The State University Revenue Bond Act of 1947, Sections 90010 through 90091 of the Education Code of the State of California (the Bond Act) authorizes the Trustee to issue revenue bonds to finance projects that support the University's educational mission. The University's financing program, referred to as the SRB Program, is designed to provide lower cost debt and greater flexibility to finance projects at the University than would be possible if projects were financed separately. Rather than relying on specific pledged revenues to support specific debt obligations, the SRB program pools multiple sources of revenue as the security for the debt. The University's total outstanding balance of revenue bond indebtedness under the SRB program was \$7,218,305 at June 30, 2020. Under the Bond Act authority, the University has constructed or acquired facilities located at its 23 campuses and the Office of the Chancellor.

In 2014, the State enacted legislation that granted additional capital financing authorities to the University, leading to the SRB program expanding to allow the financing of academic facilities and energy conservation projects. Allowable academic projects include construction and equipping of new and existing academic facilities; infrastructure; deferred maintenance; and refunding of SPWB lease revenue bonds (which funded the construction of certain academic facilities of the University).

Systemwide Revenue Bonds are not secured by mortgages on the facilities constructed or acquired and therefore the facilities do not act as security for the debt. Revenues pledged under the SRB program include program fees from professional and continuing education, health center facilities, housing, parking, and student union; student tuition and fees; and designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service), to repay the bonds.

The SRB Indenture (The Indenture) contains provisions that define events of default related to punctuality of the payment of the outstanding principal and interest. Additionally, the Indenture describes the process for which other events of default by the Board related to covenants, agreements, or conditions of the Indenture occur for a period of sixty (60) days after written notice by bondholders (of not less than twenty-five percent (25%) in aggregate principal amount of the bonds outstanding) requiring remediation. Further, the Indenture specifies the process which the Trustees may undertake, at the request of the majority of the bondholders, to declare the principal of all of the bonds then outstanding and the interest accrued to be immediately due and payable.



# CALIFORNIA STATE UNIVERSITY

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### **(c) Bond Anticipation Notes**

The Trustees have authorized the issuance of BANs to provide short-term financing to the University for certain projects. The BANs are purchased by CSU Institute with proceeds from the commercial paper issued by the Institute. The BANs are generally issued for periods of up to three years in anticipation of issuing permanent revenue bonds at a future date. State law was amended in 2008 to allow BAN maturities to extend beyond three years and the maturity date for the issuance of BANs to be determined by the Trustees. BAN interest is variable and changes based upon the cost of the Institute's commercial paper program. The maximum and minimum weighted average interest rates for the year ended June 30, 2020 were 2.25% and 1.90%, respectively. The University's BANs totaled \$129,119 at June 30, 2020. The authorized amounts totaled \$301,880, of which \$171,600 has not been issued and \$130,280 has been issued.

CSU Institute, a discretely presented component unit of the University, manages the commercial paper program. The commercial paper program is bound by certain agreements, including the Trust Indenture with the Trustee/paying agent and the Reimbursement Agreement with the letter of credit banks. Under certain provision of the Trust Indenture, in the event of a default, the Trustees shall take actions set forth by the BAN Resolution to effect the sale of long-term bonds to refinance outstanding BANs. Upon the occurrence of certain events of default specified in the Reimbursement Agreement, the right of the CSU Institute and the University to issue notes may be terminated or be suspended by the banks.

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Long-term debt obligations of the University as of June 30, 2020 consisted of the following:

| Description                            | Interest rate percentage | Final maturity date | Original issue amount | Amount outstanding  |
|--|--------------------------|---------------------|-----------------------|---------------------|
| Systemwide Revenue Bonds:              |                          |                     |                       |                     |
| Housing Series L - M                   | 3%                       | 2020/21             | \$ 5,510              | 245                 |
| Housing Series N & Q                   | 3.00                     | 2021/22             | 6,695                 | 470                 |
| Series 2007-B                          | 5.45-5.55                | 2037/38             | 13,165                | 8,920               |
| Series 2007-C                          | 5.00                     | 2028/29             | 63,275                | 26,090              |
| Series 2010-B                          | 5.45-6.48                | 2041/42             | 205,145               | 205,145             |
| Series 2011-A                          | 3.00-5.25                | 2042/43             | 236,410               | 111,685             |
| Series 2012-A                          | 3.00-5.00                | 2042/43             | 436,220               | 399,280             |
| Series 2012-B                          | 2.79-4.17                | 2036/37             | 16,700                | 14,050              |
| Series 2013-A                          | 3.00-5.00                | 2026/27             | 308,855               | 202,045             |
| Series 2014-A                          | 3.00-5.00                | 2044/45             | 747,740               | 710,830             |
| Series 2015-A                          | 2.00-5.00                | 2047/48             | 1,032,920             | 919,555             |
| Series 2015-B                          | 1.98-4.41                | 2035/36             | 29,305                | 19,435              |
| Series 2016-A                          | 2.00-5.00                | 2045/46             | 1,133,105             | 1,102,670           |
| Series 2016B-1                         | 1.60                     | 2047/48             | 50,000                | 50,000              |
| Series 2016B-2                         | 4.00                     | 2049/50             | 100,000               | 100,000             |
| Series 2016B-3                         | 4.00                     | 2051/52             | 100,000               | 100,000             |
| Series 2017-A                          | 3.00-5.00                | 2047/48             | 812,030               | 784,495             |
| Series 2017-B                          | 1.55-3.90                | 2047/48             | 335,155               | 333,310             |
| Series 2017-C                          | 3.25-5.00                | 2037/38             | 49,175                | 43,345              |
| Series 2018-A                          | 4.00-5.00                | 2050/51             | 492,690               | 490,465             |
| Series 2018-B                          | 2.45-4.25                | 2050/51             | 171,000               | 170,840             |
| Series 2019-A                          | 4.00-5.00                | 2051/52             | 449,430               | 449,430             |
| Series 2019-B                          | 1.90-3.59                | 2051/52             | 81,335                | 81,335              |
| Series 2020-A                          | 5.00                     | 2031/32             | 65,240                | 65,240              |
| Series 2020-B                          | 1.47-3.07                | 2042/43             | 829,425               | 829,425             |
|  |                          |                     | <u>\$ 7,770,525</u>   | 7,218,305           |
| Bond Anticipation Notes                | Various                  |                     |                       | 129,119             |
| Others                                 | Various                  |                     |                       | 9,012               |
| Total                                  |                          |                     |                       | 7,356,436           |
| Unamortized net bond premium           |                          |                     |                       | 685,331             |
| Total long-term debt                   |                          |                     |                       | 8,041,767           |
| Less current portion                   |                          |                     |                       | (171,661)           |
| Long-term debt, net of current portion |                          |                     |                       | <u>\$ 7,870,106</u> |

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Long-term debt principal and interest are payable in the following fiscal years:

|                             | <u>Principal</u>    | <u>Interest</u>  |
|-----------------------------|---------------------|------------------|
| Fiscal year ending June 30: |                     |                  |
| 2021                        | \$ 171,661          | 324,028          |
| 2022                        | 185,360             | 311,219          |
| 2023                        | 191,892             | 302,130          |
| 2024                        | 198,766             | 293,152          |
| 2025                        | 206,341             | 283,909          |
| 2026 - 2030                 | 1,193,615           | 1,268,318        |
| 2031 - 2035                 | 1,342,767           | 971,597          |
| 2036 - 2040                 | 1,311,440           | 669,918          |
| 2041 - 2045                 | 1,262,739           | 386,684          |
| 2046 - 2050                 | 1,005,604           | 141,039          |
| Thereafter                  | 286,251             | 9,974            |
|                             | <u>\$ 7,356,436</u> | <u>4,961,968</u> |

Long-term debt obligations of the individual discretely presented component units have been issued to purchase or construct facilities for University-related uses. For additional information regarding long-term debt obligations of the individual discretely presented component units, refer to their separately issued financial statements.

The Board of Trustees does not have a specified debt limit or debt margin, as noted in the University's Policy for Financing Activities. However, the Board finds it appropriate to establish the lowest cost debt financing programs for the University, and to use the limited debt capacity in the most prudent manner.

As of June 30, 2020, the Board had approved SRB and BANs that were authorized but unissued in the aggregate principal amount of \$1,764,565 for projects including academic, infrastructure, housing, and parking facilities. As of June 30, 2020, there are approximately \$470,840 of remaining authorized and unissued debt for the purpose of refunding certain bonds of the SPWB not previously refunded. The Board may issue all or a portion of these authorized bonds as well as other additional bonds for other new money projects or refunding purposes. The Board expects to authorize the issuance of additional Systemwide Revenue Bonds from time to time in the future. There is no limit on the amount of SRB that the Board may authorize.

**(10) Long-Term Debt Refunding**

In August 2019, the University issued SRB Series 2019B (Taxable) and 2020A (Tax Exempt), a portion of the proceeds was applied for a current refunding of SRB Series 2010A (Tax Exempt). Further, the University issued SRB Series 2020B (Taxable), a portion of the proceeds was applied for advance refunding of SRB Series 2011A (Tax Exempt). The defeasance will reduce the University's total financing cost by approximately \$65,329 over the life of the refunded bonds. The economic gain (difference between net present values of the debt service payments on the old debt and new debt) from these transactions was approximately \$50,267. Accordingly, the refunded bonds have been considered defeased and, therefore, removed as a liability from the accompanying financial statements. The total par amount of bonds outstanding as of date of refunding totaled \$269,000. The outstanding balance as of June 30, 2020 is \$193,445.

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**(11) Long-Term Liabilities Activity**

Long-term liabilities activity of the University for the year ended June 30, 2020 was as follows:

|                                      | <b>Beginning<br/>balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>balance</b> | <b>Current<br/>portion</b> |
|--------------------------------------|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| Accrued compensated absences         | \$ 239,962                   | 151,991          | (121,942)         | 270,011                   | 112,812                    |
| Capital lease obligations (note 8)   | 315,322                      | 73,803           | (32,053)          | 357,072                   | 20,897                     |
| Long-term debt obligations (note 9): |                              |                  |                   |                           |                            |
| Systemwide revenue bonds             | 6,211,333                    | 1,425,430        | (418,458)         | 7,218,305                 | 170,115                    |
| Bond anticipation notes              | 109,659                      | 227,918          | (208,458)         | 129,119                   | 72                         |
| Other                                | 10,046                       | —                | (1,034)           | 9,012                     | 1,474                      |
|                                      | <u>6,331,038</u>             | <u>1,653,348</u> | <u>(627,950)</u>  | <u>7,356,436</u>          | <u>171,661</u>             |
| Unamortized net bond premium         | 620,431                      | 114,509          | (49,609)          | 685,331                   | —                          |
| Total long-term debt obligations     | <u>6,951,469</u>             | <u>1,767,857</u> | <u>(677,559)</u>  | <u>8,041,767</u>          | <u>171,661</u>             |
| Total long-term liabilities          | <u>\$ 7,506,753</u>          | <u>1,993,651</u> | <u>(831,554)</u>  | <u>8,668,850</u>          | <u>305,370</u>             |

Long-term liabilities activity of the aggregated discretely presented component units of the University for the year ended June 30, 2020 was as follows:

|   | <b>Beginning<br/>balance</b> | <b>Additions</b> | <b>Reductions</b>  | <b>Ending<br/>balance</b> | <b>Current<br/>portion</b> |
|---|------------------------------|------------------|--------------------|---------------------------|----------------------------|
| Accrued compensated absences                    | \$ 21,375                    | 11,744           | (10,590)           | 22,529                    | 15,516                     |
| Claims liability for losses                     |                              |                  |                    |                           |                            |
| and loss adjustment expenses                    | 60,446                       | 28,803           | (35,272)           | 53,977                    | 16,416                     |
| Capital lease obligations                       | 238,245                      | 23,284           | (14,756)           | 246,773                   | 10,769                     |
| Long-term debt obligations:                     |                              |                  |                    |                           |                            |
| Revenue bonds                                   | 19,790                       | —                | (970)              | 18,820                    | 1,030                      |
| Commercial paper, including principal rollovers | 109,659                      | 995,595          | (976,135)          | 129,119                   | 127,337                    |
| Notes payable                                   | 348,250                      | 39,780           | (53,245)           | 334,785                   | 11,515                     |
| Other   | 68,329                       | 10,551           | (9,249)            | 69,631                    | 5,244                      |
|   | <u>546,028</u>               | <u>1,045,926</u> | <u>(1,039,599)</u> | <u>552,355</u>            | <u>145,126</u>             |
| Unamortized net bond premium                    | 40,178                       | 4,338            | (4,665)            | 39,851                    | —                          |
| Total long-term debt obligations                | <u>586,206</u>               | <u>1,050,264</u> | <u>(1,044,264)</u> | <u>592,206</u>            | <u>145,126</u>             |
| Total long-term liabilities                     | <u>\$ 906,272</u>            | <u>1,114,095</u> | <u>(1,104,882)</u> | <u>915,485</u>            | <u>187,827</u>             |

The University has entered into note agreements with certain discretely presented component units to finance existing and newly constructed facilities, using proceeds from issuance of SRB and BANs, for the discretely presented component units amounting to \$334,785 included in notes payable and \$50,405 in other long-term debt obligations as of June 30, 2020.

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The University has also entered into capital lease agreements with certain discretely presented component units using proceeds from issuance of SRB and BANs to lease existing and newly constructed facilities to the discretely presented component units amounting to \$200,707 as of June 30, 2020.

For additional information regarding the long-term liabilities of the individual discretely presented component units of the University, refer to their separately issued financial statements.

### (12) Pension Plan

#### (a) *Pension Plan Description*

The University participates in the State's Public Employee's Retirement Fund A (PERF A). PERF A is comprised of agent multiple-employer plans, which includes the State. CalPERS acts as an investment and administrative agent for participating employers. State employees served by PERF A includes the University's Miscellaneous Tier 1 employees and Peace Officers and Firefighters.

#### (b) *Benefits Provided*

The plan also provides survivor, death, and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) for medical benefits. The benefit provisions are established by the Public Employee's Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA).

A full description of the pension plans regarding numbers of employees covered, benefit provision, assumptions, and membership information are listed in the June 30, 2018 State Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report.

In general, retirement benefits are based on a formula using member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

- Classification (e.g., miscellaneous or peace officers and firefighters)
- Membership category (pre-PEPRA and post-PEPRA); and
- Specific provisions in employees' contracts.

CalPERS issues a publicly available Actuarial Valuation Report and Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. Copies of the CalPERS Actuarial Valuation Report and CAFR may be obtained at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov) or from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, CA 95814.

#### (c) *Pensionable Compensation*

For the University, the plan acts as cost sharing multiple-employer defined-benefit pension plan, which provides a defined-benefit pension and postretirement program for substantially all eligible University employees. The University's proportion of the State's net pension liability was calculated based on its proportionate share of the State's pensionable compensation. The pensionable compensation has a measurement period of July 1, 2018 through June 30, 2019.

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### (d) Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the measurement period ended June 30, 2019, the average State's active employee contribution rates for State Miscellaneous and Peace Officer and Firefighters Plans are 6.90% and 11.46% of annual payroll, respectively. For the measurement period ended June 30, 2018, the State's contribution rates for State Miscellaneous and Peace Officer and Firefighters Plans are 29.37% and 45.37% of annual payroll, respectively.

State Miscellaneous Plan members of the University are required to contribute 5% of their annual earnings in excess of \$513 per month to CalPERS. Effective January 1, 2013, all new University employees that are considered "new members" to CalPERS are required to contribute 50% of the normal cost for their category (e.g., State Miscellaneous Plan members contribute 7.25% of their annual earnings per month to CalPERS). The University is required to contribute at an actuarially determined rate.

State Peace Officers and Firefighters Plan members of the University are required to contribute 8% of their annual earnings in excess of \$238 per month to CalPERS. Effective January 1, 2013, all new University employees that are considered "new members" to CalPERS are required to contribute 50% of the normal cost for their category (e.g., State Peace Officers and Firefighters Plan members contribute 12% of their annual earnings per month to CalPERS). The University is required to contribute at an actuarially determined rate.

The contribution requirements of the plan members are established and may be amended by CalPERS. The contractual maximum contribution required for the University is determined by the annual CalPERS compensation limit(s), which are based on provisions of Assembly Bill (AB) 340 and the IRC 401(a) 17 limits. The University's contributions to CalPERS for the most recent three fiscal years ended June 30 were equal to the required contributions and were as follows:

|                             | <u>University's contributions</u> |           |
|-----------------------------|-----------------------------------|-----------|
| Fiscal year ending June 30: |                                   |           |
| 2020                        | \$                                | 1,011,518 |
| 2019                        |                                   | 928,987   |
| 2018                        |                                   | 1,734,716 |

In 2018, the State made a supplemental pension contribution of \$876,842 to CalPERS on behalf of the University as authorized by Government Code Section 20825. The University shall repay \$156,283 amount contributed through June 30, 2030, while the remainder was recognized as State appropriations, noncapital in 2018. As of June 30, 2020, the outstanding amount to be repaid by the University is \$133,419.

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**(e) Actuarial Methods and Assumptions**

The total pension liability was measured as of June 30, 2019 (measurement date), by rolling forward the total pension liability determined by the June 30, 2018 actuarial valuation (valuation date), based on the following actuarial methods and assumptions:

|                                  |   |
|----------------------------------|---|
| Valuation date:                  | June 30, 2018   |
| Actuarial cost method:           | Entry age normal in accordance with the requirements of GASB Statement No. 68   |
| Actuarial assumptions:           |   |
| Discount rate                    | 7.15%   |
| Inflation                        | 2.50%   |
| Salary increases                 | Varies by entry age and service   |
| Investment rate of return        | 7.15%, net of pension plan investment expense but without reduction for administrative expenses including inflation                           |
| Mortality rate of return         | Derived using CalPERS' membership data for all funds  |
| Postretirement benefit increase: | Contract cost of living allowance up to 2.50% until purchasing power protection allowance floor on purchasing power applies; 2.50% thereafter |

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions report (Experience Study), based on CalPERS demographic data from 1997 to 2015. The Experience Study report can be obtained from [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov) under Forms and Publications.

**(f) Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the plans tested, none of the plan assets were exhausted. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the PERF. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test result is presented in the GASB Crossover Testing Report, which can be obtained from [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov) under GASB Statement No. 68 section.

**(g) Investment Rate of Return**

The long-term expected rate of return on pension plan investments of 7.15% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, but without reduction for administrative expenses, and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Taking into account historical returns

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of all the PERF's asset classes (which includes the agent plan and two cost-sharing plans), expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11– 60 years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation used to measure the total pension liability.

| Asset class      | Current target<br>allocation<br>% | years 1–10 <sup>1</sup><br>% | years 11+ <sup>2</sup><br>% |
|------------------|-----------------------------------|------------------------------|-----------------------------|
| Global equity    | 50                                | 4.80                         | 5.98                        |
| Fixed income     | 28                                | 1.00                         | 2.62                        |
| Inflation assets | —                                 | 0.77                         | 1.81                        |
| Private equity   | 8                                 | 6.30                         | 7.23                        |
| Real estate      | 13                                | 3.75                         | 4.93                        |
| Liquidity        | 1                                 | —                            | (0.92)                      |
| Total            | <u>100</u>                        |                              |                             |

<sup>1</sup> An expected inflation of 2% used for this period

<sup>2</sup> An expected inflation of 2.92% used for this period

**(h) Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the University's proportionate share of net pension liability of the State Miscellaneous and Peace Officers and Firefighters Plans (collectively the Plans) as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.15%) or one-percentage point higher (8.15%) than the current rate:

| Plan                                 | Discount rate<br>-1% (6.15%) | Current<br>discount rate<br>(7.15%) | Discount rate<br>+ 1% (8.15%) |
|--------------------------------------|------------------------------|-------------------------------------|-------------------------------|
| Miscellaneous Plan                   | \$ 11,430,804                | 8,022,235                           | 5,166,956                     |
| Peace Officers and Firefighters Plan | 248,159                      | 168,535                             | 103,250                       |
| Net pension liability                | <u>\$ 11,678,963</u>         | <u>8,190,770</u>                    | <u>5,270,206</u>              |



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**(i) Changes in Net Pension Liability**

The University reported a liability of \$8,190,770 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined based on an actuarial valuation as of June 30, 2018 rolled forward to the measurement date. The University's proportion of the State's net pension liability was calculated based on its proportionate share of the State's pensionable compensation. The State considered this a practical, systematic, and rational approach. At measurement date June 30, 2019, the University's proportionate share of the total State net pension liability for the State Miscellaneous and Peace Officers and Firefighters Plans were 23.85065% and 1.14289%, respectively.

|  | <b>State<br/>Miscellaneous<br/>Plan</b> | <b>State Peace<br/>Officers and<br/>Firefighters Plan</b> | <b>Total</b> |
|--|---|---|--------------|
| Balance at June 30, 2018 (measurement date)                  | \$ 7,570,176                            | 163,075   | 7,733,251    |
| Changes in proportionate share                               | (77,569)                                | (4,083)   | (81,652)     |
| Balance at June 30, 2018, adjusted                           | 7,492,607                               | 158,992   | 7,651,599    |
| Changes recognized for the measurement period:               |   |   |              |
| Service cost   | 487,235                                 | 11,943  | 499,178      |
| Interest on total pension liability                          | 1,901,033                               | 38,648  | 1,939,681    |
| Recognized difference between expected and actual experience | 484,754                                 | 7,594   | 492,348      |
| Employee contributions                                       | (224,907)                               | (5,005)   | (229,912)    |
| Employer contributions                                       | (900,954)                               | (19,039)  | (919,993)    |
| Net investment income  | (1,231,444)                             | (24,864)  | (1,256,308)  |
| Plan to plan resource movement                               | 321                                     | (4)   | 317          |
| Administrative expenses                                      | 13,633                                  | 272   | 13,905       |
| Other miscellaneous expense                                  | (44)                                    | (1)   | (45)         |
| Net changes  | 529,627                                 | 9,544   | 539,171      |
| Balance at June 30, 2019 (measurement date)                  | \$ 8,022,234                            | 168,536   | 8,190,770    |

**(j) Pension Plan Fiduciary Net Position**

The plan fiduciary net position disclosed in the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For example, for the accounting valuations, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation.

**(k) Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension**

The University recognized pension expense of \$1,573,707 for State Miscellaneous Plan and State Peace Officers and Firefighters Plan, which were reported as benefits expense.

The following table presents deferred outflows and inflows of resources as of June 30, 2020. Deferred outflows and inflows of resources are recognized for the difference between expected and actual experience and changes in

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assumptions. Deferred outflows of resources are recognized for the University's retirement contributions made subsequent to the measurement date of June 30, 2019 which will be recognized as a reduction of the net pension liability in the next measurement date. Net deferred outflows of resources are recognized for the aggregate difference (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods. Net deferred outflows of resources are recognized for changes in the University's proportionate share of pensionable compensation.

|   | Deferred outflows of<br>resources | Deferred inflows of<br>resources |
|---|-----------------------------------|----------------------------------|
| University's retirement contributions subsequent to the measurement date          | \$ 1,011,518                      | —                                |
| Differences due to changes in assumptions   | 350,551                           | 168,457                          |
| Net differences between projected and actual earnings on pension plan investments | —                                 | 61,011                           |
| Differences due to changes in proportionate share                                 | 54,883                            | —                                |
| Differences between expected and actual experience                                | 429,591                           | 24,464                           |
| Total   | <u>\$ 1,846,543</u>               | <u>253,932</u>                   |

The deferred outflows of resources will be recognized as pension expense as follows:

**(i) Schedule of Differences due to Changes in Assumptions**

| Measurement<br>Period ended<br>June 30 | Initial<br>differences* | Recognition<br>period<br>(year) | Increase in pension expense arising from the<br>recognition of the effects of changes in assumptions<br>(measurement dates) |              |              |                |
|--|-------------------------|---------------------------------|---|--------------|--------------|----------------|
|  |                         |                                 | 2020  | 2021         | 2022         | Total          |
| Miscellaneous Plan:                    |                         |                                 |   |              |              |                |
| 2017                                   | \$ 1,351,750            | 4                               | \$ 337,937  | —            | —            | 337,937        |
| Peace Officers and Firefighters Plan:  |                         |                                 |   |              |              |                |
| 2017                                   | 29,815                  | 5.2                             | 5,734   | 5,734        | 1,146        | 12,614         |
| Increase in pension expense            |                         |                                 | <u>\$ 343,671</u>   | <u>5,734</u> | <u>1,146</u> | <u>350,551</u> |

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**ii) Schedule of Changes in Proportionate Share**

| Measurement Period ended June 30       | Initial differences* | Recognition period (year) | Increase (decrease) in pension expense arising from the recognition of the effects of changes in proportionate share (measurement dates) |              |                 |                |               |
|--|----------------------|---------------------------|--|--------------|-----------------|----------------|---------------|
|  |                      |                           | 2020   | 2021         | 2022            | 2023           | Total         |
| Miscellaneous Plan:                    |                      |                           |  |              |                 |                |               |
| 2017                                   | \$ 291,636           | 4                         | \$ 72,909  | —            | —               | —              | 72,909        |
| 2018                                   | 69,770               | 4.1                       | 17,017   | 17,017       | 1,702           | —              | 35,736        |
| 2019                                   | (72,052)             | 4.1                       | (17,574)   | (17,574)     | (17,574)        | (1,757)        | (54,479)      |
| Peace Officers and Firefighters Plan:  |                      |                           |  |              |                 |                |               |
| 2015                                   | 7,537                | 5.1                       | 148  | —            | —               | —              | 148           |
| 2016                                   | 10,242               | 5.2                       | 1,970  | 394          | —               | —              | 2,364         |
| 2017                                   | 10                   | 5.2                       | 2  | 2            | —               | —              | 4             |
| 2018                                   | 1,713                | 5                         | 343  | 343          | 343             | —              | 1,029         |
| 2019                                   | (3,533)              | 5                         | (707)  | (707)        | (707)           | (707)          | (2,828)       |
| Increase (Decrease) in pension expense |                      |                           | <u>\$ 74,108</u>   | <u>(525)</u> | <u>(16,236)</u> | <u>(2,464)</u> | <u>54,883</u> |

**(iii) Schedule of Differences between Expected and Actual Experience**

| Measurement Period ended June 30      | Initial differences* | Recognition period (year) | Increase in pension expense arising from the recognition of the effects of differences between expected and actual experience (measurement dates) |                |                |               |                |
|---------------------------------------|----------------------|---------------------------|---|----------------|----------------|---------------|----------------|
|                                       |                      |                           | 2020  | 2021           | 2022           | 2023          | Total          |
| Miscellaneous Plan:                   |                      |                           |   |                |                |               |                |
| 2018                                  | \$ 106,313           | 4.1                       | \$ 25,930   | 25,930         | 2,593          | —             | 54,453         |
| 2019                                  | 484,755              | 4.1                       | 118,233   | 118,233        | 118,233        | 11,823        | 366,522        |
| Peace Officers and Firefighters Plan: |                      |                           |   |                |                |               |                |
| 2015                                  | 3,298                | 5.1                       | 65  | —              | —              | —             | 65             |
| 2016                                  | 209                  | 5.2                       | 40  | 8              | —              | —             | 48             |
| 2018                                  | 4,047                | 5                         | 809   | 809            | 809            | —             | 2,427          |
| 2019                                  | 7,594                | 5                         | 1,519   | 1,519          | 1,519          | 1,519         | 6,076          |
| Increase in pension expense           |                      |                           | <u>\$ 146,596</u>   | <u>146,499</u> | <u>123,154</u> | <u>13,342</u> | <u>429,591</u> |

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The deferred inflows of resources will be recognized as pension expense as follows:

**(iv) Schedule of Differences between Expected and Actual Experience**

| Measurement<br>Period ended<br>June 30 | Initial<br>differences* | Recognition<br>period<br>(year) | Decrease in pension expense arising from the recognition<br>of the differences between projected and actual<br>earnings on pension plan investments<br>(measurement dates) |            |            |               |
|--|-------------------------|---------------------------------|--|------------|------------|---------------|
|  |                         |                                 | 2020   | 2021       | 2022       | Total         |
| Miscellaneous Plan:                    |                         |                                 |  |            |            |               |
| 2017                                   | \$ 92,312               | 4                               | \$ 23,078  | —          | —          | 23,078        |
| Peace Officers and Firefighters Plan:  |                         |                                 |  |            |            |               |
| 2017                                   | 3,275                   | 5.2                             | 630  | 630        | 126        | 1,386         |
| Decrease in pension expense            |                         |                                 | <u>\$ 23,708</u>   | <u>630</u> | <u>126</u> | <u>24,464</u> |

**(v) Schedule of Differences due to Changes in Assumptions**

| Measurement<br>Period ended<br>June 30 | Initial<br>differences* | Recognition<br>period<br>(year) | Decrease in pension expense arising from the recognition<br>of the effects of changes in assumptions<br>(measurement dates) |               |              |                |
|--|-------------------------|---------------------------------|---|---------------|--------------|----------------|
|  |                         |                                 | 2020  | 2021          | 2022         | Total          |
| Miscellaneous Plan:                    |                         |                                 |   |               |              |                |
| 2018                                   | \$ 328,556              | 4.1                             | \$ 80,136   | 80,136        | 8,014        | 168,286        |
| Peace Officers and Firefighters Plan:  |                         |                                 |   |               |              |                |
| 2018                                   | 288                     | 5                               | 57  | 57            | 57           | 171            |
| Decrease in pension expense            |                         |                                 | <u>\$ 80,193</u>  | <u>80,193</u> | <u>8,071</u> | <u>168,457</u> |

\*Adjusted for any changes in University's proportionate share

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**(vi) Schedule of Differences between Projected and Actual Earnings on Pension Plan Investments**

| Measurement<br>Period ended<br>June 30 | Initial<br>differences* | Recognition<br>period<br>(year) | Decrease (increase) in pension expense arising from the recognition of the<br>differences between projected and actual<br>earnings on pension plan investments<br>(measurement dates) |                |               |                 |               |
|--|-------------------------|---------------------------------|---|----------------|---------------|-----------------|---------------|
|  |                         |                                 | 2020  | 2021           | 2022          | 2023            | Total         |
| Miscellaneous Plan:                    |                         |                                 |   |                |               |                 |               |
| 2016                                   | \$ (1,140,831)          | 5                               | \$ (228,167)  | —              | —             | —               | (228,167)     |
| 2017                                   | 629,965                 | 5                               | 125,993   | 125,993        | —             | —               | 251,986       |
| 2018                                   | 218,063                 | 5                               | 43,613  | 43,613         | 43,613        | —               | 130,839       |
| 2019                                   | (118,647)               | 5                               | (23,729)  | (23,729)       | (23,729)      | (23,730)        | (94,917)      |
| Peace Officers and Firefighters Plan:  |                         |                                 |   |                |               |                 |               |
| 2016                                   | (21,636)                | 5                               | (4,327)   | —              | —             | —               | (4,327)       |
| 2017                                   | 12,087                  | 5                               | 2,417   | 2,417          | —             | —               | 4,834         |
| 2018                                   | 4,260                   | 5                               | 852   | 852            | 852           | —               | 2,556         |
| 2019                                   | (2,241)                 | 5                               | (448)   | (448)          | (448)         | (449)           | (1,793)       |
| Decrease (Increase) in pension expense |                         |                                 | <u>\$ (83,796)</u>  | <u>148,698</u> | <u>20,288</u> | <u>(24,179)</u> | <u>61,011</u> |

**(13) Other Postemployment Benefits (OPEB)**

**(a) OPEB Plan Description**

The State provides retiree health and dental benefits to annuitants of retirement systems through an agent multiple-employer defined benefit plan which operates as a single-employer defined benefit plan for the University. The design of health and dental benefit plans can be amended by CalPERS Board of Administration. To be eligible, employees must retire within 120 days of separation from employment and have met the health and dental vesting period to be eligible to receive these benefits.

**(b) Benefits Provided**

For healthcare benefits, CalPERS offers Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), and Exclusive Provider Organizations (EPOs) (limited to members in certain California counties). For dental benefits, a Dental Maintenance Organization (DMO) and dental indemnity plans are offered to the University's retirees. Health plans offered, covered benefits, monthly rates, and co-payments are determined by the CalPERS Board of Administration, which reviews health plan contracts annually. At measurement date, the count of retired and active employees covered by the benefit terms were:

|   | <b>Headcount</b> |
|---|------------------|
| Retirees elected to receive healthcare benefits | 31,483           |
| Active employees                                | 49,249           |
| <b>Total</b>                                    | <b>80,732</b>    |

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### **(c) Contributions**

The contribution requirements of retirees and the State are established and may be amended by the State legislature. For healthcare benefits, the State makes a contribution toward the retiree's monthly health premiums, with the retirees covering the difference between the State's contribution and the actual healthcare premium amount. The State contribution is normally established through collective bargaining agreements. No retiree contribution is required for dental benefits.

For healthcare benefits, responsibility for funding the cost of the employer share of premiums is apportioned between the State and the University based on "billable" and "nonbillable" accounts. Billable accounts have special revenue sources such as fees, licenses, penalties, assessments, and interest, which offset the costs incurred by a State department during the year. The University reimburses the State for retiree's health benefit costs allocated to billable accounts but not for costs allocated to nonbillable accounts. The University is responsible for funding the costs of the billable accounts on a pay-as-you-go basis as part of the statewide general administrative costs charged to the University. The State is responsible for funding the cost of the employer share of healthcare premiums of retirees for all nonbillable accounts. Historically, the State has funded approximately 95% of the cost of the benefits.

The University is responsible for paying the cost of dental benefits for all University retirees using funds provided by the State through general fund appropriations. The University makes payments directly to Delta Dental for the retiree's monthly dental premiums. The University is paying these benefits on a pay-as-you-go basis. The State's contribution to the retirees' health benefits are recorded as State appropriations, noncapital.

In addition to the explicit University contribution provided to retirees, there is an "implicit rate subsidy". The gross premium for retired members not eligible for Medicare who are charged a premium based on the experience of both active and retired members will be receiving a subsidy because the average healthcare costs of retired members is generally higher than the blended average costs of a group comprised of both active and retired members. The subsidy is referred to as the implicit rate subsidy. The implicit subsidy associated with the retiree health costs paid during the past year is also considered to be a contribution from the University.

### **(d) Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future.

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Significant actuarial methods and assumptions used to calculate the University's total OPEB liability were:

|                               |  |
|-------------------------------|--|
| Valuation date:               | June 30, 2019  |
| Actuarial cost method:        | Entry Age Normal Actuarial Cost Method and the blended discount rates in accordance with the requirements of GASB Statement No. 74 and 75.   |
| Actuarial assumptions:        |  |
| Discount rate                 | 3.13%  |
| Price inflation               | 2.25%  |
| Wage inflation                | 2.50%  |
| Healthcare-related:           | Assumptions were updated based on the 2018 Experience Review for the Years July 1, 2014, to June 30, 2018, performed by State Actuary and were first adopted beginning with the June 30, 2019 actuarial valuation. It includes rates of decrement, salary increase rates, and economic assumptions. These assumption changes increased expected total OPEB liability by 0.4 percent or \$0.36 billion. |
| Healthcare trend rate:        |  |
| Pre-Medicare cost trend rate  | 7.5% in 2021, graded down over a six-year period until to a trend rate of 4.5% in 2027, remains at 4.50 percent for ten years until the ultimate rate of 4.25 percent is reached in 2037.  |
| Post-Medicare cost trend rate | 7.5% in 2021, graded down over a six-year period until to a trend rate of 4.5% in 2027, remains at 4.50 percent for ten years until the ultimate rate of 4.25 percent is reached in 2037.  |
| Participation rate            | On average approximately 95% of all eligible retirees elect healthcare coverage.   |
| Per capita claim costs        | A retiree healthcare actuarial valuation depends on the retired member's expected healthcare claim at a given age indexed for healthcare inflation.  |
| Pension-related:              | Assumptions were based on the December 2017 Experience Study conducted by CalPERS which includes rates of decrement, salary increase rates, and economic assumptions. Assumptions were first adopted beginning with the June 30, 2018, actuarial valuation.  |

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions report (Experience Study), based on CalPERS demographic data from 1997 to 2015. The Experience Study report can be obtained from [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov) under Forms and Publications.

**(e) Sensitivity of the University's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

One of the key assumptions influencing costs is the assumed growth or trend in healthcare costs. The healthcare trend assumption for OPEB actuarial valuations spans over the lifetime of a covered retiree, which could extend to over 30 years. This is in contrast to the short-term healthcare inflation used to develop premiums for the next fiscal year. This long-term healthcare assumption is by far the most difficult to set.

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The following table presents the University's total OPEB liability as of the measurement date, calculated using the healthcare cost trend rates that are one-percentage-point lower of (6.5% decreasing to 3.25%) or one-percentage-point higher (8.5% decreasing to 5.25%) than the current healthcare cost trend rate:

|                      | <b>Trend rate<br/>-1%<br/>(6.5% decreasing to<br/>3.25%)</b> | <b>Current trend rate<br/>(7.5% decreasing to<br/>4.25%)</b> | <b>Trend rate<br/>+ 1%<br/>(8.5% decreasing to<br/>5.25%)</b> |
|----------------------|--|--|---|
| Total OPEB liability | \$ 12,349,046  | 14,498,545   | 17,249,934  |

**(f) Discount Rate**

The discount rate used to estimate the total OPEB liability as of measurement dates June 30, 2019 and 2018 was 3.13% and 3.62%, respectively. The discount rates were based on Fidelity Index's 20-Year Municipal GO AA Index since the University has no plan assets sufficient to make benefit payments.

**(g) Sensitivity of the University's Total OPEB Liability to Changes in the Discount Rate**

The following table presents the University's total OPEB liability as of the measurement date, calculated using the discount rate of 3.13%, as well as what the total other postemployment benefits liability would be if it were calculated using a discount rate that is one-percentage point lower (2.13%) or one-percentage point higher (4.13%) than the current rate:

|                      | <b>Discount rate<br/>-1% (2.13%)</b> | <b>Current discount rate<br/>(3.13%)</b> | <b>Discount rate<br/>+ 1% (4.13%)</b> |
|----------------------|--------------------------------------|--|---------------------------------------|
| Total OPEB liability | \$ 17,001,133                        | 14,498,545                               | 12,495,949                            |

**(h) Changes in Total OPEB Liability**

The following table presents the changes in total OPEB liability of the University recognized over the measurement period:

|   |               |
|---|---------------|
| Balance at June 30, 2018 (Measurement Date)                         | \$ 13,128,996 |
| Changes recognized for the measurement period:                      |               |
| Service cost  | 603,049       |
| Interest on total OPEB liability                                    | 490,260       |
| Recognized changes of assumptions                                   | 751,688       |
| Differences between expected and actual experience (non-investment) | (94,145)      |
| Employer contribution   | (381,303)     |
| Net changes   | 1,369,549     |
| Balance at June 30, 2019 (Measurement Date)                         | \$ 14,498,545 |



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**(i) OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

The University recognized OPEB expense of \$714,217 which was reported as benefits expense.

The following table presents deferred outflows and inflows of resources. Deferred outflows of resources are recognized for the University's retirement contributions made subsequent to the measurement date of June 30, 2019 which will be recognized as a reduction of total OPEB liability on the subsequent measurement date. The deferred inflows of resources are recognized for the change in assumptions.

|   | Deferred outflows of<br>resources | Deferred inflows of<br>resources |
|---|-----------------------------------|----------------------------------|
| University's contributions subsequent to the measurement date       | \$ 404,389                        | —                                |
| Differences due to changes in assumptions                           | 648,057                           | 1,311,057                        |
| Differences between expected and actual experience (non-investment) | —                                 | 882,469                          |
| <b>Total</b>  | <b>\$ 1,052,446</b>               | <b>2,193,526</b>                 |

The University's contributions subsequent to the measurement date includes \$388,210 contributed by the State on behalf of the University as authorized by Government Code Section 22871. The State's contributions are recognized as State appropriations, noncapital.

The deferred outflows of resources due to changes in assumptions will be recognized as OPEB expense as follows:

| Increase in OPEB expenses arising from changes of assumptions<br>(measurement dates) |                       |                                 |            |         |         |         |         |         |        |         |
|--|-----------------------|---------------------------------|------------|---------|---------|---------|---------|---------|--------|---------|
| Measurement<br>Period ended<br>June 30   | Initial<br>difference | Recognition<br>period<br>(year) | 2021       | 2022    | 2023    | 2024    | 2025    | 2026    | 2027   | Total   |
| 2019   | \$ 751,688            | 7.25                            | \$ 103,631 | 103,631 | 103,631 | 103,631 | 103,631 | 103,631 | 26,271 | 648,057 |
| Increase in OPEB expenses  |                       |                                 | \$ 103,631 | 103,631 | 103,631 | 103,631 | 103,631 | 103,631 | 26,271 | 648,057 |

The deferred inflows of resources will be recognized as OPEB expense as follows:

| Decrease in OPEB expenses arising from changes of assumptions<br>(measurement dates) |                       |                                 |            |         |         |         |        |        |           |  |
|--|-----------------------|---------------------------------|------------|---------|---------|---------|--------|--------|-----------|--|
| Measurement<br>Period ended<br>June 30   | Initial<br>difference | Recognition<br>period<br>(year) | 2021       | 2022    | 2023    | 2024    | 2025   | 2026   | Total     |  |
| 2017   | \$ 1,663,194          | 6.86                            | \$ 242,299 | 242,299 | 242,299 | 209,400 | —      | —      | 936,297   |  |
| 2018   | 519,714               | 7.17                            | 72,477     | 72,477  | 72,477  | 72,477  | 72,477 | 12,375 | 374,760   |  |
| Decrease in OPEB expenses  |                       |                                 | \$ 314,776 | 314,776 | 314,776 | 281,877 | 72,477 | 12,375 | 1,311,057 |  |

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**Decrease in OPEB expenses arising from differences between expected and actual experience  
(non-investment)  
(measurement dates)**

| Measurement Period ended June 30 | Initial difference | Recognition period (year) | 2021              | 2022           | 2023           | 2024           | 2025           | 2026          | 2027         | Total          |
|----------------------------------|--------------------|---------------------------|-------------------|----------------|----------------|----------------|----------------|---------------|--------------|----------------|
| 2018                             | \$ 1,111,239       | 7.17                      | \$ 154,968        | 154,968        | 154,968        | 154,968        | 154,968        | 26,463        | —            | 801,303        |
| 2019                             | 94,145             | 7.25                      | 12,979            | 12,979         | 12,979         | 12,979         | 12,979         | 12,979        | 3,292        | 81,166         |
| Decrease in OPEB expenses        |                    |                           | <u>\$ 167,947</u> | <u>167,947</u> | <u>167,947</u> | <u>167,947</u> | <u>167,947</u> | <u>39,442</u> | <u>3,292</u> | <u>882,469</u> |

**(14) Deferred Outflows and Inflows of Resources**

The composition of deferred outflows and inflows of resources at June 30, 2020 is summarized as follows:

|   | Deferred outflows of resources | Deferred inflows of resources |
|---|--------------------------------|-------------------------------|
| Related to:   |                                |                               |
| Net pension liability (note 12)                         | \$ 1,846,543                   | 253,932                       |
| Total other postemployment benefits liability (note 13) | 1,052,446                      | 2,193,526                     |
| Unamortized loss on SRB debt refunding                  | 85,035                         | —                             |
| Unamortized gain on SRB debt refunding                  | —                              | 3,825                         |
| Nonexchange transactions                                | —                              | 1,025                         |
| <b>Total</b>  | <u>\$ 2,984,024</u>            | <u>2,452,308</u>              |

**(15) Claims Liability for Losses and Loss Adjustment Expenses**

The University and certain auxiliary organizations have established the CSURMA, a discretely presented component unit of the University, to centrally manage workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, and other risk-related programs. The claims liability included in the discretely presented component unit column reflects the estimated ultimate cost of settling claims related to events that have occurred on or before June 30, 2020. The liability includes estimated amounts that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not yet been reported. The liability is also reduced by estimated amounts recoverable from the reinsurer that are related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. Although considerable variability is inherent in such estimates, management believes that the liability is a reasonable estimate at June 30, 2020.

The information of the change in claims liability for losses and loss adjustment expenses may be obtained from the separate financial statements issued for CSURMA.

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**(16) Commitments and Contingencies**

The University is a defendant in multiple lawsuits involving matters not covered by the CSURMA as discussed in note 15. Management of the University is of the opinion that the liabilities, if any, arising from litigation will not have a material effect on the financial position of the University.

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such reviews would not have a material effect on the financial position of the University.

Authorized but unexpended costs for construction projects as of June 30, 2020 totaled \$982,672. These expenditures will be funded primarily by State appropriations and bond proceeds.

In order to secure access to electricity used for normal operation, the University participates in forward purchase contract of electricity operated by Shell Energy North America. The University's obligations under these special purchase arrangements require it to purchase an estimated total of \$15,881 of electricity at fixed prices through December 2021. The University estimates that the special purchase contract in place represent approximately 17.73% of its total annual electricity expenses.

**(17) Classification of Operating Expenses**

The University has elected to report operating expenses by functional classification in the Statement of Revenues, Expenses, and Changes in Net Position, and to provide the natural classification of those expenses as an additional disclosure. For the year ended June 30, 2020, operating expenses by natural classification consisted of the following:

|                                       | <b>Salaries</b>     | <b>Benefits</b>  | <b>Scholarships<br/>and<br/>fellowships<br/>expense</b> | <b>Supplies<br/>and other<br/>services</b> | <b>Depreciation<br/>and<br/>amortization</b> | <b>Total<br/>operating<br/>expenses</b> |
|---------------------------------------|---------------------|------------------|---|--|--|---|
| Instruction                           | \$ 2,027,897        | 1,632,023        | —   | 193,359                                    | —  | 3,853,279                               |
| Research                              | 31,035              | 5,779            | —   | 20,435                                     | —  | 57,249                                  |
| Public service                        | 29,561              | 13,539           | —   | 15,767                                     | —  | 58,867                                  |
| Academic support                      | 465,744             | 359,765          | —   | 203,098                                    | —  | 1,028,607                               |
| Student services                      | 494,863             | 422,181          | —   | 222,359                                    | —  | 1,139,403                               |
| Institutional support                 | 483,475             | 432,349          | —   | 279,320                                    | —  | 1,195,144                               |
| Operation and<br>maintenance of plant | 264,996             | 329,928          | —   | 391,894                                    | —  | 986,818                                 |
| Student grants and<br>scholarships    | —                   | —                | 1,195,923   | —  | —  | 1,195,923                               |
| Auxiliary enterprise<br>expenses      | 92,091              | 32,523           | —   | 274,668                                    | —  | 399,282                                 |
| Depreciation and<br>amortization      | —                   | —                | —   | —  | 546,220                                      | 546,220                                 |
| <b>Total</b>                          | <b>\$ 3,889,662</b> | <b>3,228,087</b> | <b>1,195,923</b>  | <b>1,600,900</b>                           | <b>546,220</b>                               | <b>10,460,792</b>                       |

# CALIFORNIA STATE UNIVERSITY

## Notes to Financial Statements

June 30, 2020

(In thousands)

### (18) Transactions with Related Entities

The University is an agency of the State and receives approximately 46% of total revenues through state appropriations. State appropriations allocated to the University aggregated \$4,739,585 for the year ended June 30, 2020. State appropriations receivable is \$36,337 at June 30, 2020.

State appropriations allocated to the University for the year ended June 30, 2020 consisted of the following:

|   | <u>2020</u>         |
|---|---------------------|
| State appropriations, noncapital                          | \$ 4,346,139        |
| State's contribution on behalf of the University for OPEB | 388,210             |
| State appropriations, capital                             | <u>5,236</u>        |
| Total state appropriations                                | <u>\$ 4,739,585</u> |

### (19) Subsequent Events

The following information describes significant events that occurred subsequent to June 30, 2020, but prior to the date of the auditors' report.

- The Central Utility Plant Replacement project at California State University, Fresno, procured through a public-private partnership, was approved by the Trustees on January 2021. In February 2021, the Trustees entered into a project agreement with a private development partner, to design, build, finance and maintain the generation and distribution of heating and cooling services throughout the campus, and install ground mounted solar photovoltaic systems. The total project cost is approximately \$170,000 and will be funded primarily through financing provided by the private development partner. The private development partner will be compensated through availability payments by the University for capital investment in the project and services relating to maintenance, management and life-cycle component, subject to deductions for performance failures.
- In December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 was signed. This new law gives the U.S. Department of Education approximately \$22,700,000 to distribute to institutions of higher education in order to prevent, prepare for, and respond to coronavirus through the HEERF. The University have been awarded a total of \$853,000, of which \$262,000 are for student financial aid grants and \$591,000 for institutional support grants.
- *SRB Issuance*  
In September 2020, the University issued \$314,030 of SRB Series 2020C (Tax Exempt), \$528,575 of SRB Series 2020D (Taxable) and \$466,010 of SRB Series 2020E (Taxable). The new bonds were issued to fund various capital projects, redeem maturing BANs, refund a portion of outstanding SRB Series 2011A and a portion of the SRB Series 2012A bonds.

**CALIFORNIA STATE UNIVERSITY**

Notes to Financial Statements

June 30, 2020

(In thousands)

- *BAN Issuance*

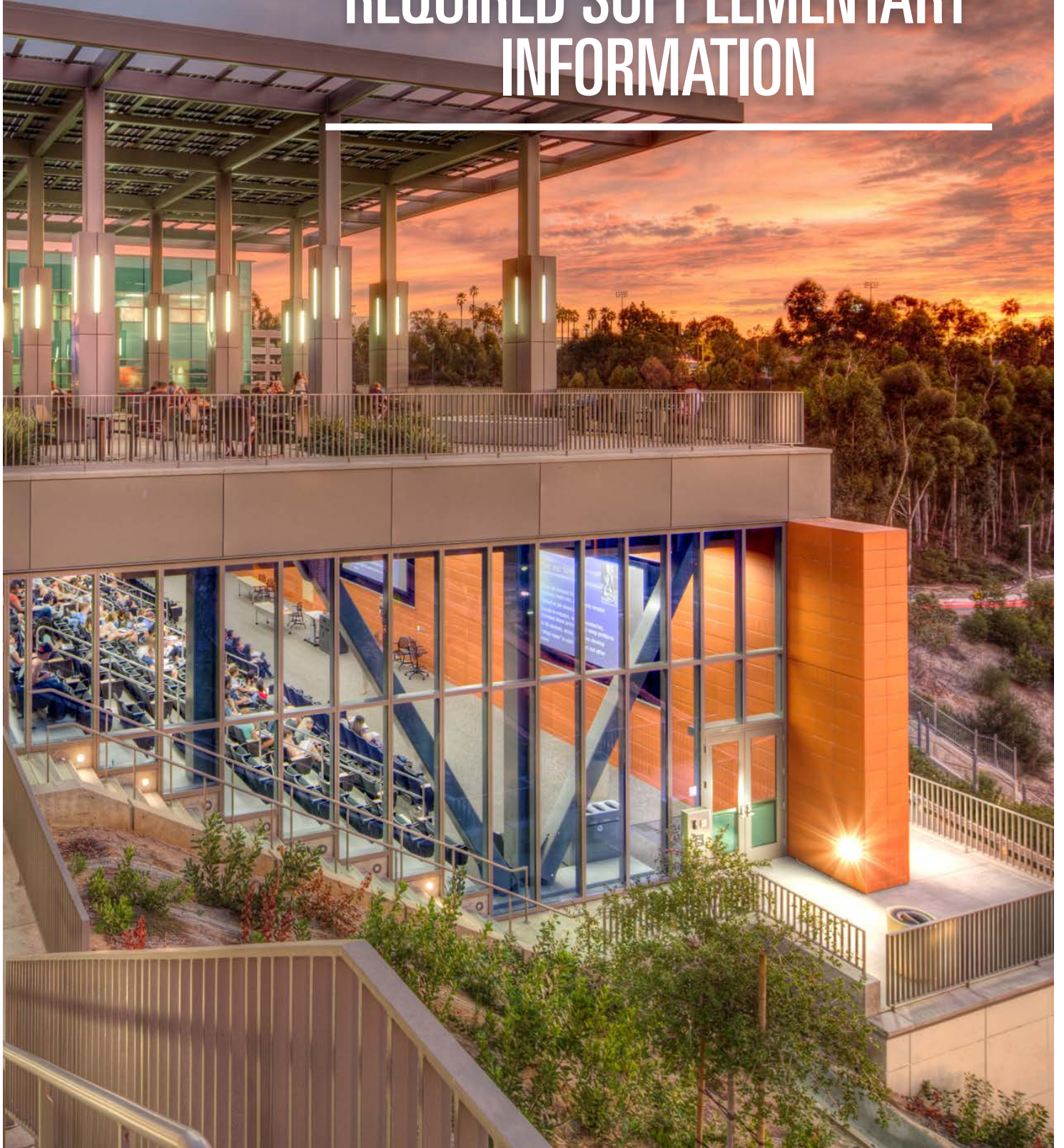
The University issued the BANs for the following capital projects:

|  | <b>Amount</b>     |
|--|-------------------|
| San Diego State University Mission Valley Real Property Acquisition and Site Development | \$ 88,970         |
| Long Beach Hillside Renovation   | 31,230            |
| Long Beach Housing Expansion Phase 1 Administration and Commons Building                 | 18,735            |
| San Diego State University Mission Valley Multi-Use Stadium                              | 17,410            |
| Monterey Bay Capital Improvement   | 11,745            |
| Fresno New Student Union Project (2nd Tranche)   | 8,461             |
| Total  | <u>\$ 176,551</u> |

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# REQUIRED SUPPLEMENTARY INFORMATION

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## CALIFORNIA STATE UNIVERSITY

## Schedule of University's Proportionate Share of the Net Pension Liability and Related Ratios

June 30, 2020

(Unaudited)

(In thousands)

*Last Ten Fiscal Years*<sup>(1)</sup>

| <b>State of California Miscellaneous Plan</b>  | <b>2019<sup>(2)</sup></b> | <b>2018<sup>(2)</sup></b> | <b>2017<sup>(2)</sup></b> | <b>2016<sup>(2)</sup></b> | <b>2015<sup>(2)</sup></b> | <b>2014<sup>(2)</sup></b> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| University's proportion of the net pension liability   | 23.85065 %                | 24.09757 %                | 23.87558 %                | 22.87662 %                | 22.84970 %                | 22.72891 %                |
| University's proportionate share of the net pension liability                                    | \$ 8,022,235              | 7,570,176                 | 8,723,068                 | 7,575,326                 | 6,453,200                 | 5,411,439                 |
| University's proportionate share of covered payroll  | \$ 3,002,439              | 2,900,140                 | 2,780,552                 | 2,567,251                 | 2,407,821                 | 2,209,786                 |
| University's proportionate share of the net pension liability as a percentage of covered payroll | 267.19061 %               | 261.02795 %               | 313.71711 %               | 295.07539 %               | 268.00996 %               | 244.88521 %               |
| Plan fiduciary net position as a percentage of the total pension liability                       | 71.34328 %                | 71.82994 %                | 66.41644 %                | 66.81100 %                | 70.68274 %                | 74.17418 %                |
| <b>State of California Peace Officers and Firefighters Plan</b>                                  |                           |                           |                           |                           |                           |                           |
| University's proportion of the net pension liability   | 1.14289 %                 | 1.17223 %                 | 1.15890 %                 | 1.15882 %                 | 1.07094 %                 | 1.00623 %                 |
| University's proportionate share of the net pension liability                                    | \$ 168,535                | 163,075                   | 176,894                   | 158,599                   | 124,994                   | 102,216                   |
| University's proportionate share of covered payroll  | \$ 41,367                 | 41,153                    | 38,632                    | 37,528                    | 33,341                    | 30,160                    |
| University's proportionate share of the net pension liability as a percentage of covered payroll | 407.41412 %               | 396.26516 %               | 457.89066 %               | 422.61507 %               | 374.89140 %               | 338.91247 %               |
| Plan fiduciary net position as a percentage of the total pension liability                       | 70.56276 %                | 70.53476 %                | 65.89199 %                | 66.09678 %                | 69.61241 %                | 72.18915 %                |

<sup>(1)</sup> The University implemented GASB Statement No. 68 effective July 1, 2014, therefore, no information is available for the measurement periods prior to June 30, 2014.

<sup>(2)</sup> The date in the column heading represents the end of the measurement period of the net pension liability, which is one year prior to the reporting period.

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY**  
 Schedule of Employer Contributions Related to Pension  
 Year ended June 30, 2020  
 (Unaudited)  
 (In thousands)

*Last Ten Fiscal Years*<sup>(1)</sup>

| <b>State of California Miscellaneous Plan</b>                         | <b>2020</b>     | <b>2019</b>       | <b>2018</b>    | <b>2017</b>    | <b>2016</b>    | <b>2015</b>    |
|---|-----------------|-------------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution                                   | \$ 1,000,772    | \$ 902,330        | 836,450        | 737,766        | 641,710        | 588,353        |
| Contributions in relation to the actuarially determined contributions | (992,004)       | (909,834)         | (839,367)      | (740,571)      | (644,679)      | (589,385)      |
| Contribution deficiency (excess)                                      | <u>\$ 8,768</u> | <u>\$ (7,504)</u> | <u>(2,917)</u> | <u>(2,805)</u> | <u>(2,969)</u> | <u>(1,032)</u> |
| University's covered payroll  | \$ 3,230,694    | \$ 3,079,834      | 2,953,043      | 2,768,770      | 2,559,878      | 2,431,410      |
| Contributions as a percentage of covered payroll                      | 30.70560 %      | 29.54166 %        | 28.42380 %     | 26.74729 %     | 25.18397 %     | 24.24046 %     |

**State of California Peace Officers and Firefighters Plan**

|   |               |                 |              |              |              |                |
|---|---------------|-----------------|--------------|--------------|--------------|----------------|
| Actuarially determined contribution                                   | \$ 19,512     | \$ 18,374       | 17,762       | 15,858       | 14,027       | 11,737         |
| Contributions in relation to the actuarially determined contributions | (19,514)      | (19,153)        | (18,442)     | (16,600)     | (14,647)     | (13,610)       |
| Contribution deficiency (excess)                                      | <u>\$ (2)</u> | <u>\$ (779)</u> | <u>(680)</u> | <u>(742)</u> | <u>(620)</u> | <u>(1,873)</u> |
| University's covered payroll  | \$ 41,342     | \$ 42,022       | 41,696       | 39,372       | 37,568       | 33,363         |
| Contributions as a percentage of covered payroll                      | 47.20139 %    | 45.57851 %      | 44.22966 %   | 42.16194 %   | 38.98797 %   | 40.79369 %     |

<sup>(1)</sup> The University implemented GASB Statement No. 68 effective July 1, 2014, therefore, no information is available for the measurement periods prior to June 30, 2014.



## CALIFORNIA STATE UNIVERSITY

## Schedule of Employer Contributions Related to Pensions

Year ended June 30, 2020

(Unaudited)

**Notes to required supplementary information schedule for the most recent fiscal year presented:**

|  |  |
|--|--|
| Valuation date   | Actuarially calculated contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.  |
| Methods and assumption used to determine contribution rates: |  |
| Actuarial cost method  | Entry age normal in accordance with the requirement of GASB Statement No. 68.  |
| Amortization method/period                                   | For details, see June 30, 2018 Funding Valuation Report.   |
| Asset valuation method                                       | Actuarial Value of Assets. For details, see June 30, 2018 Funding Valuation Report.  |
| Inflation  | 2.5%   |
| Salary increases   | Varies by entry age and service  |
| Payroll growth   | 2.75%  |
| Investment rate of return                                    | 7%, net of pension plan investment and administrative expenses; includes inflation.  |
| Retirement age   | The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.   |
| Mortality  | The probabilities of retirement are based on 15 years of mortality improvements using the Society of Actuaries 90% of Scale MP 2016. For more details, please refer to the 2017 CalPERS Experience Study and Review of Actuarial Assumptions report. |
| Significant factors affecting contribution rates             | For details, see June 30, 2018 Funding Valuation Report.   |

See accompanying independent auditors' report.

## CALIFORNIA STATE UNIVERSITY

## Schedule of University's Total Other Postemployment Benefits Liability and Related Ratios

June 30, 2020

(Unaudited)

(In thousands)

*Last Ten Fiscal Years* <sup>(1)</sup>

|   | 2019 <sup>(2)</sup> | 2018 <sup>(2)</sup> | 2017 <sup>(2)</sup> |
|---|---------------------|---------------------|---------------------|
| University's total other postemployment benefits liability at beginning of the year           | \$ 13,128,996       | 13,918,525          | 14,683,420          |
| Changes recognized for the measurement period:  |                     |                     |                     |
| Service cost  | 603,049             | 680,934             | 795,696             |
| Interest on total other postemployment benefits liability                                     | 490,260             | 513,512             | 436,431             |
| Recognized changes of assumptions   | 751,688             | (519,714)           | (1,663,194)         |
| Recognized differences between Expected and Actual Experience (Non-Investment)                | (94,145)            | (1,111,239)         | —                   |
| Employer contributions  | (381,303)           | (353,022)           | (333,828)           |
| Net changes   | 1,369,549           | (789,529)           | (764,895)           |
| University's total other postemployment benefits liability at end of the year                 | \$ 14,498,545       | 13,128,996          | 13,918,525          |
| University's covered payroll  | \$ 3,272,036        | 3,121,856           | 2,994,739           |
| University's total other postemployment benefits liability as a percentage of covered payroll | 443.10469 %         | 420.55098 %         | 464.76588 %         |

<sup>(1)</sup> The University implemented GASB Statement No. 75 effective July 1, 2017, therefore, no information is available for the measurement periods prior to June 30, 2017.

<sup>(2)</sup> The date in the column heading represents the end of the measurement period of the total OPEB liability, which is one year prior to the reporting period.

See accompanying independent auditors' report.

## CALIFORNIA STATE UNIVERSITY

## Schedule of Employer Contributions Related to Other Postemployment Benefits

Year ended June 30, 2020

(Unaudited)

(In thousands)

Last Ten Fiscal Years <sup>(1)</sup>

|   | 2020         | 2019       | 2018       |
|---|--------------|------------|------------|
| Actuarially determined contributions                                  | \$ 786,426   | 743,648    | 754,550    |
| Contributions in relation to the actuarially determined contributions | (404,389)    | (362,260)  | (349,487)  |
| Contribution deficiency   | \$ 382,037   | 381,388    | 405,063    |
| University's covered payroll  | \$ 3,272,036 | 3,121,856  | 2,994,739  |
| Contributions as a percentage of covered payroll                      | 12.35894 %   | 11.60399 % | 11.67003 % |

**Notes to required supplementary information schedule for the most recent fiscal year presented:**

Valuation date Actuarially calculated contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

## Methods and assumption used to determine actuarially determined contributions:

## Actuarial cost method

Entry Age Normal Actuarial Cost Method and the blended discount rates as required by GASB Statements No. 74 and 75. The Normal Cost and Actuarial Accrued Liability for purpose of calculating the Actuarially Determined Contribution were developed using the Entry Age Normal Actuarial Cost Method and a full-funding discount rate of 6.75 percent.

Inflation 2.25%

Payroll growth 2.50%

Retirement age

The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.

## Mortality

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the mortality rates, the revised rates include 15 years of projected ongoing mortality improvement using Scale MP 2016 published by the Society of Actuaries.

<sup>(1)</sup>The University implemented GASB Statement No. 75 effective July 1, 2017, therefore, no information is available for the measurement periods prior to June 30, 2017.

See accompanying independent auditors' report.

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# SUPPLEMENTARY INFORMATION

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## CALIFORNIA STATE UNIVERSITY

## Systemwide Revenue Bond Program's Net Income Available for Debt Service

Year ended June 30, 2020

(In thousands)

|   |                     |
|---|---------------------|
| Gross revenues:                                   |                     |
| Tuition fees                                      | \$ 3,361,162        |
| Student housing                                   | 460,682             |
| Student unions/recreation centers                 | 265,971             |
| Parking   | 108,875             |
| Health centers                                    | 11,028              |
| Professional and continuing education             | 443,957             |
| Auxiliary organizations <sup>1</sup>              | 529,243             |
| Other related entity <sup>2</sup>                 | 7,181               |
| Total gross revenues                              | <u>5,188,099</u>    |
| Maintenance and operation expenses <sup>3</sup> : |                     |
| Academic facilities                               | 441,683             |
| Student housing                                   | 310,823             |
| Student unions/recreation centers                 | 133,841             |
| Parking   | 81,159              |
| Health centers                                    | 6,114               |
| Professional and continuing education             | 416,004             |
| Auxiliary organizations <sup>1</sup>              | 474,446             |
| Total maintenance and operation expenses          | <u>1,864,070</u>    |
| Net income available for debt service             | <u>\$ 3,324,029</u> |
| Debt service:                                     |                     |
| Systemwide revenue bonds debt                     | \$ 421,268          |
| Designated auxiliary organizations debt           | 2,011               |
| Total debt service                                | <u>\$ 423,279</u>   |

The purpose of this schedule is to meet bond reporting covenants covering the operations of the projects showing the gross revenues and expenses for the fiscal year.

- (1) This included gross revenues and maintenance and operation expenses of 17 auxiliary organizations that have financed with SRB through lease or loan arrangements. This excludes research grants and contracts activity and restricted gifts. Gross revenues under the SRB Indenture are a smaller amount derived from payments under certain leases or with the Board of Trustees.
- (2) This includes gross revenues derived from leases with California State University, Channel Islands Site Authority which are used solely to pay debt service. The maintenance and operation expenses are excluded as these are not paid by the pledged gross revenues.
- (3) Maintenance and operation expenses for the year ended June 30, 2020 include extraordinary maintenance and repair projects, which are generally paid from existing program fund balance of \$154,356, other postemployment benefits expense of \$13,148 pursuant to GASB Statement No. 75, and pension expense of \$56,110 pursuant to GASB Statement No. 68.

See accompanying independent auditors' report.

## CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Residence and Dining Halls Operating Data by Campus <sup>(1)</sup>

Year ended June 30, 2020

(Unaudited)

|  | (In thousands)                     |                           |   |                    |  |  |   |
|--|------------------------------------|---------------------------|---|--------------------|--|--|---|
|  | Operating<br>and other<br>revenues | Operating<br>expenditures | Excess<br>of revenues<br>over<br>expenditures | Design<br>capacity | Operational<br>capacity <sup>(2)</sup> | Average<br>number of<br>spaces<br>occupied | % of<br>spaces<br>occupied <sup>(3)</sup> |
| California State University, Bakersfield                 | \$ 4,351                           | 2,824                     | 1,527   | 500                | 496                                    | 277  | 56 %                                      |
| California State University Channel Islands              | 13,673                             | 2,357                     | 11,317  | 1,529              | 1,612                                  | 1,221                                      | 76  |
| California State University, Chico                       | 18,947                             | 14,757                    | 4,191   | 2,239              | 2,308                                  | 1,788                                      | 77  |
| California State University, Dominguez Hills             | 5,146                              | 3,704                     | 1,442   | 665                | 665                                    | 489  | 74  |
| California State University, East Bay                    | 11,663                             | 7,729                     | 3,933   | 1,296              | 1,666                                  | 1,051                                      | 63  |
| California State University, Fullerton                   | 24,692                             | 15,783                    | 8,909   | 1,924              | 2,045                                  | 1,334                                      | 65  |
| Humboldt State University                                | 11,916                             | (3,180)                   | 15,095  | 2,061              | 2,084                                  | 1,395                                      | 67  |
| California State University, Long Beach                  | 19,344                             | 19,676                    | (332)   | 1,826              | 2,048                                  | 1,354                                      | 66  |
| California State University, Los Angeles                 | 9,674                              | 4,725                     | 4,949   | 1,069              | 1,060                                  | 648  | 61  |
| California State University Maritime Academy             | 9,631                              | 13,128                    | (3,497)                                       | 988                | 937                                    | 701  | 75  |
| California State University, Northridge                  | 22,678                             | 15,008                    | 7,670   | 3,596              | 3,315                                  | 2,280                                      | 69  |
| California State Polytechnic University, Pomona          | 22,388                             | 11,860                    | 10,528  | 2,440              | 2,462                                  | 1,644                                      | 67  |
| California State University, Sacramento                  | 23,762                             | 19,231                    | 4,532   | 2,088              | 2,175                                  | 1,721                                      | 79  |
| California State University, San Bernardino              | 9,221                              | 6,244                     | 2,977   | 1,934              | 1,462                                  | 883  | 60  |
| San Diego State University                               | 59,024                             | 45,106                    | 13,918  | 4,839              | 5,600                                  | 4,896                                      | 87  |
| San Francisco State University <sup>(5)</sup>            | 48,706                             | 11,431                    | 37,275  | 4,940              | 4,739                                  | 3,618                                      | 76  |
| San José State University                                | 51,826                             | 37,649                    | 14,177  | 3,939              | 4,059                                  | 2,813                                      | 69  |
| California Polytechnic State University, San Luis Obispo | 53,745                             | 42,414                    | 11,331  | 7,882              | 8,425                                  | 6,027                                      | 72  |
| Sonoma State University <sup>(6)</sup>                   | 26,676                             | 16,470                    | 10,206  | 3,146              | 3,286                                  | 2,224                                      | 68  |
| California State University, Stanislaus                  | 4,442                              | 4,636                     | (194)   | 460                | 492                                    | 372  | 76  |
|  | \$ 451,505                         | \$ 291,552                | \$ 159,954                                    | 49,361             | 50,936                                 | 36,736                                     | 72 %                                      |
| Interest income  | 9,177                              | —                         | 9,177   |                    |  |  |   |
| <b>Total</b>   | <b>\$ 460,682</b>                  | <b>\$ 291,552</b>         | <b>\$ 169,131</b>                             |                    |  |  |   |

## CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Residence and Dining Halls Operating Data by Campus <sup>(1)</sup>

Year ended June 30, 2020

(Unaudited)

|  | Average annual rates per academic year <sup>(4)</sup> |          |          |            |          |          |           |          |          |
|--|---|----------|----------|------------|----------|----------|-----------|----------|----------|
|  | Residence Halls                                       |          |          | Apartments |          |          | Suites    |          |          |
|  | Single  | Double   | Triple   | Single     | Double   | Triple   | Single    | Double   | Triple   |
| California State University, Bakersfield                 | \$ 12,150   | 9,000    | 7,650    | —          | —        | —        | —         | —        | —        |
| California State University Channel Islands              | 10,820  | 9,740    | —        | 12,670     | 11,060   | —        | 11,660    | 10,570   | 9,210    |
| California State University, Chico                       | 9,430   | 7,780    | 6,558    | 9,430      | 7,780    | —        | —         | —        | —        |
| California State University, Dominguez Hills             | —   | —        | —        | —          | 10,360   | —        | —         | —        | —        |
| California State University, East Bay                    | —   | —        | —        | 11,221     | 9,280    | 7,275    | —         | 8,920    | 6,983    |
| California State University, Fullerton                   | —   | 12,174   | 10,574   | 12,972     | 9,882    | —        | —         | —        | —        |
| Humboldt State University                                | 8,216   | 6,638    | 4,938    | 8,216      | 6,638    | —        | —         | —        | —        |
| California State University, Long Beach                  | 8,994   | 7,994    | 6,994    | —          | —        | —        | —         | —        | —        |
| California State University, Los Angeles                 | —   | —        | —        | 11,296     | 8,725    | 7,025    | —         | —        | —        |
| California State University Maritime Academy             | 7,854   | 6,038    | —        | —          | —        | —        | —         | —        | —        |
| California State University, Northridge                  | —   | —        | —        | 12,038     | 7,054    | —        | —         | 6,796    | —        |
| California State Polytechnic University, Pomona          | 11,640  | 10,158   | 9,276    | —          | —        | —        | 13,422    | 11,076   | —        |
| California State University, Sacramento                  | 8,229   | 7,629    | 6,466    | —          | 8,483    | —        | 9,082     | 8,183    | —        |
| California State University, San Bernardino              | 8,229   | 6,606    | —        | 9,651      | —        | —        | —         | —        | —        |
| San Diego State University                               | 13,637  | 11,893   | 10,357   | 11,165     | 9,341    | 8,149    | —         | —        | —        |
| San Francisco State University <sup>(5)</sup>            | —   | 9,656    | —        | 13,448     | 10,968   | 10,152   | —         | —        | —        |
| San José State University                                | 10,328  | 9,060    | 7,601    | 14,104     | 11,211   | 10,186   | 17,196    | 11,466   | 10,022   |
| California Polytechnic State University, San Luis Obispo | —   | 8,718    | 8,283    | 10,665     | 10,017   | —        | —         | —        | —        |
| Sonoma State University <sup>(6)</sup>                   | 9,672   | 7,424    | 5,416    | 12,264     | 8,352    | 5,672    | —         | —        | —        |
| California State University, Stanislaus                  | 7,895   | —        | 4,813    | 8,409      | 6,970    | —        | —         | —        | —        |
| Average annual rates                                     | \$ 9,776  | \$ 8,701 | \$ 7,411 | \$ 11,254  | \$ 9,075 | \$ 8,077 | \$ 12,840 | \$ 9,502 | \$ 8,738 |

<sup>(1)</sup> Housing facilities at the Fresno, Monterey Bay, and San Marcos campuses are operated by Auxiliary Organizations.

<sup>(2)</sup> This column reflects capacity adjusted for increase or decrease in permanent conversions and temporary adjustments.

<sup>(3)</sup> Percent of spaces occupied is based on Operational Capacity. The percentages represent the average academic year occupancy, a portion of which was impacted by the COVID-19 pandemic. Due to virtual instruction for the remainder of the spring 2020 academic term, most housing facilities were closed and capacity reduced significantly.

<sup>(4)</sup> This section primarily reflects an average of the more traditional rates to students. Each campus has different rates depending on accommodations, such as super doubles, cluster occupancy, etc.

<sup>(5)</sup> The operational capacity does not include 1,207 apartment units that were occupied by students, faculty, and staff. The monthly rates for the one-bedroom, two-bedroom, or three-bedroom units (not bed-spaces) vary between \$2,140 and \$4,325.

<sup>(6)</sup> The operational capacity does not include 90 faculty and staff apartment units.

See accompanying independent auditors' report.

## CALIFORNIA STATE UNIVERSITY

## Systemwide Revenue Bond Program's Statement of Insurance Coverage

Year ended June 30, 2020

(Unaudited)

(In thousands)

| Expiration date <sup>(1)</sup>                                   | Insurance Coverage   | Coverage Limit   | Insurance Company                                    | Policy number         |
|--|--|--|--|-----------------------|
| <b>Property Insurance:</b>                                       |  |  |  |                       |
| July 1, 2020   | CSU Master Property Policy, "All Risk" Building, Equipment, Rental Income (excluding earthquake) | \$1,000,000 per occurrence   | Alliant Property Insurance Program                   | 017471590/06          |
| July 1, 2020   | CSU Master Property Policy, Boiler & Machinery   | 100,000  | Alliant Property Insurance Program                   | 017471590/06          |
| <b>General Liability Insurance:</b>                              |  |  |  |                       |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Primary)  | 5,000  | CSU Risk Management Authority (self-insured portion) | CSURMA-LIAB-1920      |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Reinsurance)  | 5,000 xs 5,000   | Ironshore Indemnity Inc.                             | 000541309             |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Reinsurance)  | 10,000 xs 10,000   | Argonaut Insurance Company                           | 2902105-01            |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 5,000 xs 20,000  | Great American Insurance Group                       | 1827346               |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 5,000 xs 25,000  | Brit Syndicates Ltd. Syndicate 2987 at Lloyd's       | SCP1000819            |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 5,000 xs 30,000  | Hallmark Specialty Insurance Company                 | 77PEF190080           |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 15,000 xs 35,000   | Gemini Insurance Company                             | CEX09600368-06        |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 50,000 xs 50,000   | Multiple   | Multiple              |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 50,000 xs 100,000  | Multiple   | Multiple              |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 50,000 xs 150,000  | XL Insurance Company SE - Irish Branch               | IE00020744LI19A       |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 25,000 xs 200,000  | American International Reinsurance Company, Ltd.     | 28336890              |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 50,000 xs 225,000  | Multiple   | Multiple              |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 25,000 xs 275,000  | Argo Re Ltd.   | ARGO-CAS-OCC-001363.1 |
| July 1, 2020   | Bodily Injury & Property Damage Liability (Excess)   | 25,000 xs 300,000  | Hamilton Re, Ltd.                                    | CX19-6549             |
| <b>Workers' Compensation and Employer's Liability Insurance:</b> |  |  |  |                       |
| July 1, 2020   | Workers' Compensation and Employer's Liability   | 2,500  | CSAC Excess Insurance Authority                      | EIA-PE 19 EWC-143     |
| July 1, 2020   | Workers' Compensation and Employer's Liability   | in excess of 2,500 up to California Workers' Compensation Statutes | Safety National Casualty Corporation                 | SP 4060592            |

<sup>(1)</sup> Additional insurance policies are maintained for the period from July 1, 2020 through July 1, 2021. These policies provide the same coverage indicated above.

See accompanying independent auditors' report.





**CSU** The California State University

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## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following is a brief summary of certain provisions contained in the Indenture and is not to be considered as a full statement thereof. Reference is made to the Indenture for full details of the terms of the Systemwide Revenue Bonds, the application of Gross Revenues and the security provisions.*

#### CERTAIN DEFINED TERMS

The terms defined below are among those used in the Indenture. The definitions set forth below are intended to generally restate the corresponding definitions in the Indenture unless the context hereof requires otherwise. Because of these contextual variations, the definitions set forth below are not necessarily either definitive or comprehensive for purposes of interpreting the Indenture and are therefore qualified in their entirety by reference to the Indenture for such purposes.

“Act” means The State University Revenue Bond Act of 1947, codified at California Education Code Sections 90010 and following, as in force on the date of the initial execution and delivery of the Indenture and as it may thereafter be amended from time to time.

“Additional Bonds” means Bonds issued pursuant to a Supplemental Indenture.

“Aggregate Debt Service” means, as of any date of calculation and with respect to any period, the sum of amounts of Debt Service for the Indebtedness specified in the Indenture for such period.

“Applicable SIFMA-Based Interest Rate” means for purposes of the Series 2016B-2 Bonds and the Twenty-Second Supplemental Indenture, the per annum rate of interest, determined weekly, equal to the sum of (a) the SIFMA Index Rate then in effect and (b) the Applicable SIFMA Spread for the related SIFMA Rate Period. In no event will any Applicable SIFMA-Based Interest Rate exceed the Maximum Interest Rate.

“Applicable SIFMA Spread” means, for purposes of the Series 2016B-2 Bonds and the Twenty-Second Supplemental Indenture, the lowest fixed spread to the SIFMA Index on the date of determination thereof that would enable the Remarketing Agent to sell the applicable Series 2016B-2 Bonds on such date at a price equal to the principal amount thereof as determined by the Remarketing Agent as provided in the Indenture. The Applicable SIFMA Spread for the Series 2016B-2 Bonds will remain the same throughout the applicable SIFMA Rate Period for the Series 2016B-2 Bonds.

“Balloon Indebtedness” means Indebtedness or Designated Auxiliary Debt having an original maturity greater than one year or renewable at the option of the Board for a period of greater than one year from the date of original incurrence or issuance thereof, 25% or more of the original principal of which becomes due (either by maturity or mandatory redemption) or may be tendered for purchase or payment at the option of the holder during any period of 12 consecutive months, which portion of the principal is not required by the documents governing such Indebtedness or Designated Auxiliary Debt to be amortized below 25% by mandatory redemption prior to such date.

“Board” means the Trustees of the California State University, an agency of the State of California, its successors and assigns organized and existing under and by virtue of the laws of the State of California.

“Bond Payment Date” means each Interest Payment Date and Principal Payment Date.

“Bonds” means any or all of the Trustees of the California State University Systemwide Revenue Bonds authorized under and secured by the Indenture.

“Business Day” means any day of the year other than (i) a Saturday or Sunday, (ii) a State legal holiday, or (iii) any day on which Banks located in Sacramento, California, or the city in which any co-trustee or the relevant office of any paying agent or registrar is located, are required or authorized by law to remain closed, or, with respect to any Series of Bonds, as may be provided by Supplemental Indenture.

“Calculation Agent” means such entity as may be selected by the Board to perform the functions of the Calculation Agent under the Twenty-Second Supplemental Indenture.

“Credit Agreement” means each agreement between the Board and one or more Credit Providers entered into pursuant to the Indenture, any letter of credit issued pursuant to such an agreement and any amendment of or extension to such an agreement.

“Credit Provider” means each bank, syndicate of banks or other financial institution appointed by the Board pursuant to the Indenture and their permitted successors and assigns.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed and delivered by the Board on the date of issuance and delivery of the Series 2021 Bonds as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Daily Rate” means, for purposes of the Series 2016B-2 Bonds, a variable interest rate on the Series 2016B-2 Bond established in accordance with the Twenty-Second Supplemental Indenture.

“Debt Enhancement Agreement” means any loan agreement, revolving credit agreement, insurance contract, commitment to purchase, purchase or sale agreement, or commitments or other contracts or agreements, including, without limitation, interest rate agreements, including interest rate swap agreements, entered into by the Board in connection with the issuance, payment, sale, resale or exchange of any Indebtedness or Designated Auxiliary Debt to enhance the security for or provide for the payment, prepayment or remarketing of such Indebtedness or Designated Auxiliary Debt and the interest thereon or to reduce or manage the interest thereon.

“Debt Service” means, when used with respect to any Indebtedness or Designated Auxiliary Debt, as of any date of calculation and with respect to any period, the sum of (1) the interest falling due on such Indebtedness or Designated Auxiliary Debt during such period (except to the extent that such interest is payable from the proceeds of such Indebtedness or Designated Auxiliary Debt or other moneys specifically set aside for such purpose), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similar) payments or deposits required with respect to such Indebtedness or Designated Auxiliary Debt during such period (except to the extent that such principal is payable from the proceeds of such Indebtedness or Designated Auxiliary Debt or other moneys specifically set aside for such purpose); computed on the assumption that no portion of such Indebtedness or Designated Auxiliary Debt shall cease to be outstanding during such period except by reason of the application of such scheduled payments; provided, however, that for purposes of such computation if any of the Indebtedness or Designated Auxiliary Debt is Balloon Indebtedness, the computation of Debt Service shall, at the option of the Board, assume that such Balloon Indebtedness is to be amortized over thirty (30) years beginning on the date of maturity of such Balloon Indebtedness or such earlier date as may be specified by the Board, assuming level debt service and the rate of interest on such Balloon Indebtedness; and provided further that if interest on Indebtedness or Designated Auxiliary Debt is payable pursuant to a variable interest rate formula, the interest rate on such Indebtedness or Designated Auxiliary Debt for periods when the actual interest rate cannot be yet determined shall be assumed to be equal to the greater of (a) the current interest rate calculated pursuant to the provisions of such agreement or, (b) if available, the daily average interest rate on such Indebtedness or Designated Auxiliary Debt during the preceding 36 months preceding the date of calculation or, (c) if such Indebtedness or Designated Auxiliary Debt has not been Outstanding for such 36-month period, such daily average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by a nationally recognized bond rating agency with a rating similar to the rating on such Indebtedness or Designated Auxiliary Debt; and provided further that if any such Indebtedness or Designated Auxiliary Debt is bearing interest at other than a fixed rate and the payments received and made by the Board under a Debt Enhancement Agreement with respect to such Indebtedness or Designated Auxiliary Debt is expected to produce a fixed rate to be paid by the Board, then such Indebtedness or Designated Auxiliary Debt shall be treated as bearing interest at such fixed rate.

“Defeasance Securities” means (i) moneys or noncallable securities of the category specified in clauses (1) or (2) of the definition of the term Investment Securities, or (ii) any other securities, provided that a Rating Agency has rated the defeased Bonds “AAA” or equivalent, without regard to any insurance policy or other credit

enhancement securing payment of such defeased Bonds, or (iii) any other securities, with the written consent of the Credit Facility Provider.

“Designated Auxiliary Debt” means any bond, note, lease, installment purchase agreement or other obligation of a Designated Auxiliary Organization which is secured by a pledge of or lien upon Designated Auxiliary Revenues and which is designated in a Certificate of the Board filed with the Trustee; provided that such debt does not constitute Indebtedness under the Indenture.

“Designated Auxiliary Organization” means any duly qualified and recognized auxiliary organization of the Board designated in a Certificate of the Board filed with the Trustee.

“Designated Auxiliary Revenues” means any revenues, income, receipts, or other moneys of a Designated Auxiliary Organization which have been pledged to, or are subject to a lien securing the repayment of, Designated Auxiliary Debt and which are designated in a Certificate of the Board filed with the Trustee; provided that such revenues do not constitute Gross Revenues under the Indenture.

“Escrow Fund” means, individually or collectively, as the context shall require, each of the escrow funds into which proceeds of the Series 2021 Bonds are deposited in order to provide for the defeasance and refunding of the Prior Bonds.

“Excluded Facilities” means any facilities which may be designated from time to time by the Board as Excluded Facilities in a Certificate of the Board which is filed with the Trustee.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year of the Board.

“Flexible Rate” means, with respect to the Series 2016B-2 Bond, the rate of interest borne by such bond and established in accordance with the Twenty-Second Supplemental Indenture.

“Gross Revenues” means (i) all income, including interest income on Gross Revenues, rentals, fees, rates, charges, insurance proceeds, condemnation proceeds and other moneys derived from the ownership or operation of the Projects, but excluding any refundable deposits, fines or forfeitures or operating revenues from student unions or student centers that are not mandatory student center fees, and (ii) any other revenues, receipts, income or other moneys from time to time designated by the Board for the payment of principal of and interest on the Bonds, in each case subject to the provisions of the Security Documents governing any Indebtedness secured by a Senior Lien.

“Gross Revenue Fund Depositories” means such banking, governmental, financial or other institutions (which may include the Trustee) as the Board shall designate from time to time as the depositories of the funds and accounts comprising the Gross Revenue Fund, all as set forth in a Certificate of the Board filed with the Trustee.

“Indebtedness” means any indebtedness or obligation of the Board which is: (1) secured by a pledge of or other encumbrance on Gross Revenues; and (2) is either (a) classified as a liability on a balance sheet in accordance with generally accepted accounting principles for colleges and universities; or (b) is a Debt Enhancement Agreement.

“Interest Payment Date” means, (i) with respect to the Series 2016B-2 Bonds, each May 1 and November 1, until the principal and interest on all Series 2016B-2 Bonds has been paid or payment has been duly provided for such amounts, (ii) with respect to the Series 2021 Bonds, each May 1 and November 1, commencing November 1, 2021, until the principal and interest on all Series 2021 Bonds has been paid or payment has been duly provided for such amounts, and (iii) such other interest payment date or dates as may be specified in a Supplemental Indenture for a Series of Bonds. The Series 2021 Bonds shall bear interest at the rates per annum shown in the Official Statement based on a 360-day year consisting of twelve 30-day months.

“Interest Rate Period” means, for purposes of the Series 2016B-2 Bonds, the Daily Rate Period, the Weekly Rate Period, the SIFMA Rate Period, any SIFMA Delayed Remarketing Period, the Flexible Rate Period, the Term Rate Period or any Term Rate Delayed Remarketing Period.

“Investment Securities” means any of the following which at the time are legal investments under the laws of the State of California for moneys held under the Indenture and then proposed to be invested therein: (i) bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest; (ii) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States; (iii) bonds of the State of California or bonds for which the faith and credit of the State of California are pledged for the payment of principal and interest; (iv) bonds or warrants, including but not limited to revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the State of California, municipal utility district or school district of the State of California; (v) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by general land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended, and the bonds of any federal home loan bank established under said act, obligations of the Federal Home Loan Mortgage Corporation, and bonds, notes and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended; (vi) commercial paper rated within the top rating designation by a nationally recognized rating agency and issued by corporations (1) organized and operating within the United States, (2) having total assets in excess of \$500,000,000 and (3) approved by the Pooled Money Investment Board, provided, however that eligible commercial paper may not exceed 180 days’ maturity, represent more than ten percent (10%) of the outstanding paper of an issuing corporation nor exceed thirty percent (30%) of the resources of an investment program, and that at the request of the Pooled Money Investment Board, such investment shall be secured by the issuer by depositing with the State Treasurer securities authorized by Section 53651 of the California Government Code of a market value of at least ten percent (10%) in excess of the amount of the State’s investment; (vii) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the top two rating categories by a nationally recognized rating agency, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System; (viii) negotiable certificates of deposit issued by a nationally or state-chartered bank or savings and loan association or by a state-licensed branch of a foreign bank which, to the extent they are not insured by federal deposit insurance are issued by an institution the general obligations of which are rated in one of the top two rating categories by a nationally recognized rating agency; (ix) bonds, debentures and notes issued by corporations organized and operating within the United States which securities are rated in one of the top two rating categories by a nationally recognized rating agency; (x) interest-bearing accounts in state or national banks or in state or federal savings and loan associations having principal offices in the State of California, the deposits of which shall be secured at all times and in the same manner as state moneys are by law required to be secured; (xi) deposits in the Surplus Money Investment Fund referred to in the California Government Code; (xii) repurchase agreements or reverse repurchase agreements, as such terms are defined and pursuant to the terms of Section 16480.4 of the California Government Code; (xiii) collateralized or uncollateralized investment agreements or other contractual arrangements with corporations, financial institutions or national associations within the United States, provided that the senior long-term debt of such corporations, institutions or associations is rated within the top two rating categories by a nationally recognized rating agency; or (xiv) money market funds that invest solely in obligations described in clause (i) of this definition; or commercial paper rated within the top rating designation by a nationally recognized rating agency and issued by corporations (1) organized and operating within the United States, (2) having total assets in excess of \$500,000,000, and (3) approved by the Pooled Money Investment Board, provided, however, that eligible commercial paper may not exceed 180 days’ maturity or represent more than ten percent (10%) of the outstanding paper of an issuing corporation, and at the request of the Pooled Money Investment Board, such investment shall be secured by the issuer by depositing with the State Treasurer securities authorized by Section 53651 of the California Government Code of a market value of at least ten percent (10%) in excess of the State’s investment.

“Maintenance and Operation Expenses” means necessary operating expenses, maintenance charges, expenses of reasonable upkeep and extraordinary repairs, a properly allocated share of charges for insurance, direct or special administrative expenses directly chargeable to the Projects and all other expenses incident to the operation of the Projects, but shall not include interest, amortization and depreciation expense and other non-cash charges, nor any general administrative expenses of the Board or of the State.

“Mandatory Sinking Account Payment” means, with respect to Bonds of any Series and maturity, the amount required by the Indenture or any Supplemental Indenture to be paid by the Board on any single date for the retirement of Term Bonds of such Series and maturity.

“Maximum Interest Rate” means 10% per annum.

“Net Income Available for Debt Service” means with respect to any period, the sum of: (1) the excess of Gross Revenues over Maintenance and Operation Expenses (before extraordinary items), determined in accordance with generally accepted accounting principles, each item determined in accordance with such generally accepted accounting principles, and excluding (a) any profits or losses on the sale or disposition, not in the ordinary course of business, of investments or fixed or capital assets relating to the Projects or resulting from the early extinguishment of Indebtedness or Designated Auxiliary Debt, (b) gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Debt Service, and (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; plus (2) Designated Auxiliary Revenues.

“Parity Lien” means any pledge, lien, security interest, encumbrance or charge of any kind, on or in any Gross Revenues which is equal and ratable to the lien of the Indenture on or in such Gross Revenues; provided, that the Security Document creating such an equal and ratable lien provides that an Event of Default under the Indenture shall constitute and event of default under such Security Document.

“Principal Payment Date” means, generally, each November 1, until the principal on such Series of Bonds has been paid or payment has been duly provided for such amounts, and such other principal payment date or dates as may be specified in a Supplemental Indenture for a Series of Bonds.

“Prior Bonds” means those certain prior Systemwide Revenue Bonds and prior State Public Works Board Bonds proposed to be refunded with a portion of the proceeds of the Series 2021 Bonds, subject to market and other conditions as described in “PLAN OF FINANCE – Refunding Plan” and Appendix H hereto.

“Projects” means, on any given date, all of the housing, parking, student union, student center, student health center and continuing education facilities owned or operated by the Board and any other facilities designated by the Board as Projects under the Indenture in a Certificate of the Board filed with the Trustee, except in all cases the Excluded Facilities.

“Record Date” means the fifteenth day of the month next preceding each Interest Payment Date or such other record date as may be established by a Supplemental Indenture with respect to a Series of Bonds.

“Remarketing Agent” means, for purposes of the Series 2016B-2 Bonds, each remarketing agent appointed by the Board pursuant to the Twenty-Second Supplemental Indenture.

“Remarketing Agreement” means, for purposes of the Series 2016B-2 Bonds, any agreement which meets the requirements of the Twenty-Second Supplemental Indenture.

“Security Documents” means all of the instruments, documents and agreements which, as of any date, have been executed and are then binding upon the Board in connection with any Senior Lien or Parity Lien or Subordinate Lien, including without limitation any indenture, trust agreement, loan agreement, credit agreement or security agreement.

“Senior Lien” means any pledge, lien, security interest, encumbrance or charge of any kind on or in any Gross Revenues which is senior in priority and superior to the lien of the Indenture on or in such Gross Revenues.

“Serial Bonds” shall mean the Bonds, falling due by their terms in specified years, for which no Mandatory Sinking Account Payments are provided.

“Series 2021A Term Bonds” means the Series 2021A Bonds, if any, payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Series 2021A Bonds on or before their specified maturity date or dates.

“Series 2021B Term Bonds” means the Series 2021B Bonds, if any, payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Series 2021B Bonds on or before their specified maturity date or dates.

“SIFMA Delayed Remarketing Period Rate” means, for purposes of the Series 2016B-2 Bonds, the per annum interest rate on the Series 2016B-2 Bonds during any SIFMA Delayed Remarketing Period following a SIFMA Rate Period for the Series 2016B-2 Bonds, determined pursuant to the Twenty-Second Supplemental Indenture, in each case, which rate shall be calculated by the Calculation Agent. In no event shall any SIFMA Delayed Remarketing Period Rate exceed the Maximum Interest Rate.

“SIFMA Rate Period” means, for purposes of the Series 2016B-2 Bonds and the Twenty-Second Supplemental Indenture, each period during which the Applicable SIFMA-Based Interest Rates are in effect.

“Subordinate Lien” means any pledge, lien, security interest, encumbrance or charge of any kind on or in any Gross Revenues which is subordinate in priority and junior to the lien of the Indenture on or in such Gross Revenues.

“Supplemental Indenture” or “Indenture supplemental hereto” means any indenture hereafter duly authorized and entered into between the Board and the Trustee in accordance with the provisions of the Indenture.

“Tax Certificate” means the certificate signed by the Board on the date any Series of Bonds are issued relating to the requirements of the Code.

“Term Bonds” shall mean the Bonds, if any, payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“Term Rate” means a fixed interest rate on the Series 2016B-2 Bond established in accordance with the Twenty-Second Supplemental Indenture.

“Term Rate Call Protection Date” means the date determined pursuant to the Indenture, and, with respect to the Series 2016B-2 Bonds, shall be the Term Rate Standard Call Protection Date.

“Term Rate Delayed Remarketing Period” means, for purposes of the Twenty-Second Supplemental Indenture and Series 2016B-2 Bonds, the period from and including the applicable Term Rate Scheduled Mandatory Tender Date on which the applicable Series 2016B-2 Bonds is subject to purchase on such date pursuant to the Twenty-Second Supplemental Indenture has not been remarketed to (but not including) the earlier to occur of: (a) the date on which all of the Series 2016B-2 Bonds are successfully remarketed pursuant to the Twenty-Second Supplemental Indenture; and (b) the date on which all of the Series 2016B-2 Bonds have been redeemed or paid at maturity.

“Term Rate Delayed Remarketing Period Rate” means, for each Term Rate Period for the Series 2016B-2 Bonds, the per annum interest rates, as applicable, on the Series 2016B-2 Bonds during any Term Rate Delayed Remarketing Period following such Term Rate Period, determined by the Remarketing Agent pursuant to the Twenty-Second Supplemental Indenture. In no event shall any Term Rate Delayed Remarketing Period Rate exceed the Maximum Interest Rate.

“Term Rate Period” means, for purposes of the Series 2016B-2 Bonds and Twenty-Second Supplemental Indenture, each period during which Term Rates are in effect.

“Term Rate Scheduled Mandatory Tender Date” means the date or dates determined by the Board for the Series 2016B-2 Bonds pursuant to the Indenture, and with respect to the Series 2016B-2 Bonds following remarketing shall mean such date as set forth in this Official Statement and Remarketing Memorandum.

“Term Rate Standard Call Protection Date” means for each Term Rate Period, the date that is six (6) months prior to the Term Rate Scheduled Mandatory Tender Date for a Term Rate Period.



“Thirty-Fifth Supplemental Indenture” means the Thirty-Fifth Supplemental Indenture, dated as of July 1, 2021, by and between the Board and the Trustee, in respect of the Series 2021A Bonds.

“Thirty-Sixth Supplemental Indenture” means the Thirty-Sixth Supplemental Indenture, dated as of July 1, 2021, by and between the Board and the Trustee, in respect of the Series 2021B Bonds.

“Trustee” means the State Treasurer, any agent of the State Treasurer as provided in the Indenture, or any successor as Trustee under the Indenture as provided in the Indenture.

“Twenty-Second Supplemental Indenture” means the Twenty-Second Supplemental Indenture, dated as of April 1, 2016, by and between the Board and the Trustee.

“Weekly Rate” means, for purposes of the Series 2016B-2 Bonds, the variable interest rate on the Series 2016B-2 Bonds, established in accordance with the Twenty-Second Supplemental Indenture.

### **Application of Proceeds of the Series 2021 Bonds**

The Board shall deposit the proceeds from the sale of the Series 2021 Bonds in the State Treasury of the State to the credit of the Program Fund within the fund designated as the “California State University Dormitory Construction Fund,” which fund was created by Section 90073 of the Education Code of the State and is referred to as the “Program Fund.” The Board shall account separately in the Program Fund for the proceeds from the sale of the Series 2021A Bonds and the Series 2021B Bonds.

Proceeds from the sale of the Series 2021A Bonds shall be deposited in an account established within the Program Fund and designated as the “Series 2021A Project Account.” Immediately after the receipt of the proceeds from the sale of the Series 2021A Bonds, the Trustee, upon the order of the Controller of the State, and in accordance with the Certificate of the Board, shall withdraw certain moneys from the Series 2021A Project Account and transfer and/or deposit such moneys in separate accounts relating to the Series 2021A Bonds, including to the SPWB Escrow Agent for deposit in the State Public Works Board Bonds Escrow Fund. Except as described in this section, the moneys remaining in the Series 2021A Project Account shall be used and applied solely to meet the costs of acquisition and construction of the Series 2021A Projects and expenses and costs incidental to the acquisition and construction of the Series 2021A Projects, including the repayment of the principal of and interest on any interim loan, bond anticipation notes or other financing of such costs, and costs and expenses incident to the issuance and sale of the Series 2021A Bonds (including transfer to any fund or funds from which advances have been made for any such costs and expenses, in repayment of such advances), and/or for capitalized interest. Moneys shall be paid from the Series 2021A Project Account within the Program Fund upon claims filed by the Board with the Controller of the State and after audit by the Controller of the State in the manner provided by law and upon warrants drawn by the Controller of the State. Any moneys remaining in the Series 2021A Project Account in the Program Fund after all applicable costs and expenses have been transferred shall be used for such other purposes permitted under the Act as the Board may determine (including deposit to the Rebate Fund).

Proceeds from the sale of the Series 2021B Bonds shall be deposited in an account established within the Program Fund and designated as the “Series 2021B Project Account.” Immediately after the receipt of the proceeds from the sale of the Series 2021B Bonds, the Trustee, upon the order of the Controller of the State, and in accordance with the Certificate of the Board, shall withdraw certain proceeds from the Series 2021B Project Account and transfer to separate accounts relating to the Series 2021B Bonds, including the applicable Escrow Fund, which the Trustee will establish in accordance with the Thirty-Sixth Supplemental Indenture. Except as described in this section, the moneys remaining in the Series 2021B Project Account shall be used and applied solely to meet the costs of acquisition and construction of the Series 2021B Projects and expenses and costs incidental to the acquisition and construction of the Series 2021B Projects, including the repayment of the principal of and interest on any interim loan, bond anticipation notes or other financing of such costs, and costs and expenses incident to the issuance and sale of the Series 2021B Bonds (including transfer to any fund or funds from which advances have been made for any such costs and expenses, in repayment of such advances), and/or for capitalized interest. Moneys shall be paid from the Series 2021 Project Account within the Program Fund upon claims filed by the Board with the Controller of the State and after audit by the Controller of the State in the manner provided by law and upon warrants drawn by the Controller of the State. Any moneys remaining in the Series 2021B Project

Account in the Program Fund after all applicable costs and expenses have been transferred shall be used for such other purposes permitted under the Act as the Board may determine.

### **Program Fund; Project Accounts; Series Project Accounts**

The Board shall maintain the Program Fund with the Trustee and, if permitted by law, at such banking institution or other financial, governmental or other institutions as the Board may determine. To the extent required by the Act as determined by the Board, the Program Fund shall constitute an account within the California State University Dormitory Construction Fund required to be maintained under the Act.

With respect to the Series 2021A Bonds, the Board shall establish and maintain a separate account within the Program Fund designated as the "Series 2021A Project Account." With respect to the Series 2021B Bonds, the Board shall establish and maintain a separate account within the Program Fund designated as the "Series 2021B Project Account."

The Trustee shall be under no duty with respect to the use and application of moneys in the Program Fund and shall not be liable for the manner or method in which moneys withdrawn by the Board are in fact used and applied by the Board. Subject to certain conditions of the Indenture, the moneys deposited to the Program Fund may be invested by the Board in Investment Securities or any other lawful investment for funds of the Board. Subject to certain conditions of the Indenture, any moneys remaining in the Program Fund after completion of the Projects shall be promptly deposited to the Revenue Fund.

The amount initially deposited in the Series 2021A Project Account and any investment earnings thereon shall be held by the Trustee. The Board may establish and maintain a Costs of Issuance subaccount within the Series 2021A Project Account. Moneys in the Costs of Issuance subaccount of the Series 2021A Project Account shall be used and withdrawn by the Board to pay Costs of Issuance, the cost of acquisition or construction of the Series 2021A Projects, including reimbursements of any sums advanced by the Board for such purposes and refunding bond anticipation notes or other obligations incurred for such purposes, and to pay interest on the Series 2021A Bonds in such amounts and on such dates as may be determined by the Board. Notwithstanding any other provision of the Indenture, amounts in the Series 2021A Project Account may be invested in Investment Securities or any other lawful investment for funds of the Board.

The amount initially deposited in the Series 2021B Project Account and any investment earnings thereon shall be held by the Trustee. The Board may establish and maintain a Costs of Issuance subaccount within the Series 2021B Project Account. Moneys in the Costs of Issuance subaccount of the Series 2021B Project Account shall be used and withdrawn by the Board to pay Costs of Issuance, the cost of acquisition or construction of the Series 2021B Projects, including reimbursements of any sums advanced by the Board for such purposes and refunding bond anticipation notes or other obligations incurred for such purposes, and to pay interest on the Series 2021B Bonds in such amounts and on such dates as may be determined by the Board. Notwithstanding any other provision of the Indenture, amounts in the Series 2021B Project Account may be invested in Investment Securities or any other lawful investment for funds of the Board.

### **Issuance of Additional Series of Bonds**

In addition to the Series 2021 Bonds and other Outstanding Bonds, the Board may by Supplemental Indenture establish one or more other Series of Bonds, and the Board may issue, and the Trustee may authenticate and deliver to, or upon the Written Order of, the Board, Bonds of any Series so established, in such principal amount as shall be determined by the Board, subject to the requirements of the Indenture, and subject to the following specific conditions, which are made conditions precedent to the issuance of any such additional Series of Bonds:

(a) The Supplemental Indenture providing for the issuance of such Series shall specify the purposes for which such Series is being issued, which shall be one or more of the following: (1) to provide moneys needed to acquire, implement, install, construct or complete Projects, including reimbursements of any sums advanced by the Board for such purposes, by depositing into the Program Fund the proceeds of such Series to be so applied, (2) to refund all or part of the Bonds of any one or more Series then Outstanding, or (3) to provide moneys needed to refund all or part of any other Indebtedness or Designated Auxiliary Debt. Such Supplemental Indenture may, but is not required to, provide for the payment of expenses incidental to such purposes, including the costs of issuance of

such Series, interest on Bonds of such series and, in the case of Bonds issued to refund other Bonds or Indebtedness or Designated Auxiliary Debt, expenses incident to calling, redeeming, paying or otherwise discharging the Bonds or Indebtedness or Designated Auxiliary Debt to be refunded.

(b) The Board shall be in full compliance with all covenants and undertakings set forth in the Indenture or any indenture supplemental hereto and with all covenants and undertakings in connection with any Bonds then Outstanding.

(c) Such additional Series of Bonds shall be equally and ratably secured with all other Bonds authorized in the Indenture, without preference or priority of any of the Bonds over any other Bonds, except as expressly provided in the Indenture.

(d) Such additional Series of Bonds shall satisfy the requirements for the issuance of Indebtedness secured by a Parity Lien provided in the Indenture.

(e) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by the Act or by any Supplemental Indenture.

Nothing contained in the Indenture shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of Additional Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such Additional Bonds or the Bonds or any portion thereof.

#### **Pledge and Assignment; Gross Revenue Fund; Revenue Fund**

Subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indenture, the Board pledges to the Trustee to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture, all of the Gross Revenues, all of the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture, excluding the Rebate Fund. Said pledge shall constitute a lien on and security interest in such assets and shall attach and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act, against all parties having claims of any kind in tort, contract or otherwise against the Board or the Trustee, irrespective of whether the parties have notice thereof; provided, however, that the pledge of Gross Revenues set forth in this section shall in all respects be junior to any Indebtedness secured by a Senior Lien. As of April 20, 2016, the date of issuance of the Series 2016 Bonds, the Tuition Fee (previously known as the State University Fee), which is the basic enrollment charge paid by all students who attend CSU, was added to the pledge of Gross Revenues under the Indenture.

The Board agrees that, so long as any of the Bonds remain Outstanding, (i) all of the Gross Revenues not encumbered by any Senior Lien shall be deposited as soon as practicable upon receipt in a fund designated as the "Trustees of the California State University Systemwide Revenue Bonds Gross Revenue Fund" (the "Gross Revenue Fund") which the Board shall establish and maintain and (ii) funds equal to Gross Revenues encumbered by any Senior Lien shall be deposited in the Gross Revenue Fund at the earliest practicable time and to the extent such funds are available pursuant to the terms of the Security Documents evidencing such Senior Lien. To the extent Gross Revenues to be deposited in the Gross Revenue Fund pursuant to the immediately preceding sentence are encumbered by Indebtedness (other than Additional Bonds) secured by a Parity Lien, the Board agrees to allocate and deposit in the Gross Revenue Fund an amount of such Gross Revenues equal to the product of (A) such Gross Revenues multiplied by (B) a fraction, the numerator of which shall be (i) the proceeds of the Bonds, and the denominator of which shall be (ii) the sum of (x) the proceeds of the Bonds and (y) the proceeds of Indebtedness secured by a Parity Lien. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, the Board grants a security interest to the Trustee in the Gross Revenue Fund to secure the payment of the principal of and interest on the Bonds outstanding and the pledge of Gross Revenues under the Indenture.

To the extent required by the Act, as determined by the Board, the Gross Revenue Fund shall constitute an account within the California State University Dormitory Revenue Fund required to be maintained under the Act.

Amounts in the Gross Revenue Fund may be used and withdrawn by the Board at any time for any lawful purpose (including any use required by a Security Document establishing a Senior Lien or Parity Lien), except as described in the Indenture. In the event of the occurrence of an Event of Default of which the Trustee has actual knowledge or has received written notice, the Trustee shall notify the Board and the Gross Revenue Fund Depositories of such delinquency, and the Board shall cause the Gross Revenue Fund Depositories to, and the Gross Revenue Fund Depositories shall, transfer the Gross Revenue Fund to the name and credit of the Trustee. All Gross Revenues shall continue to be deposited by the Board in the Gross Revenue Fund as described in the Indenture until all Events of Default known to the Trustee shall have been made good or cured or provision deemed by the Trustee to be adequate shall have been made therefor, whereupon the Gross Revenue Fund shall be returned to the name and credit of the Board. During any period that the Gross Revenue Fund is held in the name and to the credit of the Trustee, the Trustee shall use and withdraw amounts in said fund first to pay fees, expenses and disbursements of the Trustee and its agents in the event such fees, disbursements or expenses have not otherwise been paid by the Board, second to the payment of Maintenance and Operation Expenses, and third to make the transfers and deposits required under the section "Allocation of Gross Revenues to Funds" below. The Trustee will make payments for Maintenance and Operation Expenses upon receipt from the Board of a Certificate stating the nature and amount of such expenses, and the person or persons to whom such expenses are payable, and certifying that such expenses constitute Maintenance and Operation Expenses properly payable from the Gross Revenue Fund. The Board agrees to execute and deliver all instruments as may be required to implement the Section. The Board further agrees that a failure to comply with the terms of this section shall cause irreparable harm to the owners from time to time of the Bonds and shall entitle the Trustee, with or without notice, to take immediate action to compel the specific performance of the obligations of the Board as described in this section.

On or before the fifteenth day of the month preceding any Bond Payment Date for so long as any of the Bonds remain Outstanding, the Board shall pay to the Trustee for deposit in a special fund designated as "Trustees of the California State University Systemwide Revenue Bonds Revenue Fund" (the "Revenue Fund"), which the Trustee shall establish, maintain and hold in trust, such amount as is required by the Trustee to make or cause the Board to make the transfers and deposits required on such dates under the section "Allocation of Gross Revenues to Funds" below (or to replenish the amounts required to be on deposit in any fund under the Indenture). Each transfer by the Board to the Trustee under the Indenture shall be in lawful money of the United States of America and paid to the Trustee at its Designated Office. All such moneys shall be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund. All moneys deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. If the Board fails to make timely payment of all amounts required to be made pursuant to this section, the Board shall promptly make such payments in full as soon as possible.

To the extent required by the Act, as determined by the Board, the Revenue Fund shall constitute an account within the California State University Dormitory Interest and Redemption Fund required to be maintained under the Act.

### **Allocation of Gross Revenues to Funds**

The Trustee shall transfer or shall cause the Board to transfer from the Revenue Fund, and deposit into one or more of the following respective funds (each of which the Trustee shall establish and maintain and hold in trust, and each of which shall be disbursed and applied only as authorized in the Indenture), on or before the fifteenth day of each month preceding any Bond Payment Date, the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Gross Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

First: Into the Interest Fund, the amount, if any, needed to increase the amount in the Interest Fund to the aggregate amount of interest becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date (less the amounts, if any, to be paid from Capitalized Interest Accounts on such date).

Second: Into the Principal Fund, the amount, if any, needed to increase the amount in the Principal Fund to the aggregate amount of principal and Mandatory Sinking Account Payments becoming due and payable on the Outstanding Bonds on the next succeeding Principal Payment Date.

So long as no Event of Default has occurred and is continuing under the Indenture, the Trustee shall transfer, or shall cause the Board to transfer, any moneys remaining in the Revenue Fund on June 30 in each year which are not required for the payment of the Bonds (assuming for purposes of this sentence that the Board shall continue to make the deposits into the Revenue Fund at the times and in the amounts required under this section and the immediately preceding section) to the Board free and clear of the lien of the Indenture to be applied for any lawful purpose of the Board, and the Trustee shall have no obligation or duty to inquire or investigate how such moneys are being used.

### **Allocation of Interest Fund**

All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture), and otherwise as described in the section “Investment of Moneys in Funds” below.

With respect to each Series of Bonds for which proceeds of the sale thereof are required to be set aside to pay interest on the Bonds, the Trustee (if so instructed by the Supplemental Indenture providing for the issuance of such Series) shall establish and maintain a separate account within the Interest Fund, designated as the “Series \_\_ Capitalized Interest Account” (inserting therein the Series designation of such Bonds) (a “Capitalized Interest Account”). The Trustee shall transfer, or shall cause the Board to transfer, any moneys in a Capitalized Interest Account for deposit in the Interest Fund in the amounts and at the times specified in the Indenture or in the Supplemental Indenture providing for the issuance of such Series.

Moneys in the Series 2021A Capitalized Interest Account established pursuant to the Indenture shall be transferred to the Bond Interest Fund in the amounts and on or before the Interest Payment Dates set forth in the Thirty-Fifth Supplemental Indenture, and shall be used solely for the purpose of paying a portion of the interest on the Series 2021A Bonds Outstanding as the same shall become due and payable (including accrued interest on any Series 2021A Bonds purchased or redeemed prior to maturity). Moneys in the Series 2021B Capitalized Interest Account established pursuant to the Indenture shall be transferred to the Bond Interest Fund in the amounts and on or before the Interest Payment Dates set forth in the Thirty-Sixth Supplemental Indenture, and shall be used solely for the purpose of paying a portion of the interest on the Series 2021B Bonds Outstanding as the same shall become due and payable (including accrued interest on any Series 2021B Bonds purchased or redeemed prior to maturity).

### **Application of Principal Fund**

All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of purchasing or redeeming or paying at maturity the Serial Bonds and the Term Bonds as described in this section, and otherwise as described in the section “Investment of Moneys in Funds” below.

The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds, if any, of each Series and maturity, designated as the “Series \_\_ 20\_\_ Sinking Account” (the “Sinking Account”), inserting therein the Series and maturity (if more than one such account is established for such Series) designation of such Bonds. On or before each November 1, commencing as specified in the Indenture or any Supplemental Indenture, the Trustee shall transfer or shall cause the Board to transfer the amount deposited in the Principal Fund pursuant to the section “Allocation of Gross Revenues to Funds” above, for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month) from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the Series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee shall apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as may be directed by the Board, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said Mandatory

Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Board has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be cancelled and delivered by the Trustee to or upon the Written Request of the Board. The Trustee shall withdraw, or shall cause the Board to withdraw, any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer outstanding and shall transfer, or cause the Board to transfer, such amounts to the Revenue Fund. Subject to a different allocation provided for in a Certificate of the Board filed with the Trustee, all Term Bonds purchased from a Sinking Account or deposited by the Board with the Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Bonds, then pro rata to the remaining Mandatory Sinking Account Payments required for such Series and maturity of Bonds in proportion to the amount of such Mandatory Sinking Account Payments.

### **Establishment and Application of Redemption Fund**

The Trustee shall establish and maintain within the Redemption Fund (which the Trustee shall establish, maintain and hold in trust) an Optional Redemption Account. All amounts deposited in the Optional Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds Outstanding, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has not been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account; provided that, at any time prior to giving such notice of redemption, the Trustee shall apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as may be directed by the Board, except that the purchase price (exclusive of accrued interest) may not exceed the par value of such Bonds. Any Supplemental Indenture may provide for the establishment of such additional accounts or subaccounts within the Redemption Fund as may be applicable to the Series of Bonds authorized by such Supplemental Indenture. Subject to a different allocation provided for such subaccounts by Supplemental Indentures, all Term Bonds of any Series purchased or redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments pro rata to the Mandatory Sinking Account Payments required for such Series and maturity of Bonds in proportion to the amount of such Mandatory Sinking Account Payments.

The Trustee shall establish and maintain and hold in trust separate accounts for each maturity of Series 2021A Bonds which are Term Bonds (if any) (the "Series 2021A Sinking Accounts") and for each maturity of 2021B Bonds which are Term Bonds (if any) (the "Series 2021B Sinking Accounts"). Moneys on deposit in such Sinking Accounts shall be applied to provide for the redemption of the applicable maturity of the Series 2021A Term Bonds or Series 2021B Term Bonds, respectively, in accordance with the "Schedule of Mandatory Sinking Account Payments" contained in the Official Statement and Remarketing Memorandum.

### **Investment of Moneys in Funds**

All moneys in any of the funds and accounts established pursuant to the Indenture and held by the Trustee shall be invested by the Trustee in Investment Securities as directed by the Board. All moneys in any of the funds and accounts established pursuant to the Indenture and held by the Board shall be invested by the Board in any lawful investment for funds of the Board. All Investment Securities shall be purchased subject to the limitations described in the section "Particular Covenants of the Board of Trustees — Tax Covenants" below, to the limitations as to maturities in this section set forth and to such additional limitations or requirements, consistent with the foregoing, as may be established by Request of the Board (or a telephone request which is promptly confirmed by such Request of the Board). The Trustee shall only invest funds under the Indenture in accordance with directions from the Board and shall have no liability whatsoever with respect to the selection of such investments by the Board.

Investment Securities purchased as an investment of moneys in any fund or account established pursuant to the Indenture shall be credited to such fund or account, subject to the provisions of the immediately succeeding paragraph. Unless otherwise specified in a Supplemental Indenture, for the purpose of determining the amount in

any such fund or account, all Investment Securities credited to such fund or account shall be valued at cost plus or minus accreted discount or amortized premium except that in the case of zero-coupons, Investment Securities shall be valued at cost. The moneys on deposit in the Interest Fund and the Principal Fund shall be invested in Investment Securities such that the principal of such Investment Securities at maturity shall be sufficient to pay the interest on and principal of the Bonds, respectively, payable from the Interest Fund and the Principal Fund, respectively, on the next succeeding Bond Payment Date.

Unless otherwise provided in the Indenture or in a Supplemental Indenture for a Series of Bonds issued pursuant to such Supplemental Indenture and except as described in the section "Rebate Fund" below, the Trustee shall (1) prior to completion of the acquisition and construction of the Projects, transfer, or cause to be transferred by the Board, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture to the Board for deposit into the related Project Account within the Program Fund, and (2) after completion of the Projects, deposit, or cause the Board to deposit, in the Revenue Fund when received all such interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture. Notwithstanding anything to the contrary contained in this paragraph, except as described in the section "Rebate Fund" below, an amount of interest received with respect to an Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell at the best price reasonably obtainable or present for redemption, any Investment Security so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment. Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Trustee under the Indenture, provided that the Trustee shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Indenture.

### **Rebate Fund**

The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated the Rebate Fund. The Board shall cause to be deposited in the Rebate Fund the rebate requirement as provided in the Tax Certificate, if any, for each Series of Bonds. Subject to the provisions of this section, moneys held in the Rebate Fund are pledged to secure payments to the United States government, and the Board and the owners shall have no rights in or claim to such moneys. The Trustee shall invest all amounts held in the Rebate Fund pursuant to the Request of the Board.

Upon receipt of the rebate instructions required to be delivered to the Trustee by the Tax Certificate, the Trustee shall remit part or all of the balance held in the Rebate Fund to the United States government as so directed. In addition, if the rebate instructions so direct, the Trustee shall deposit moneys into or transfer moneys out of, or shall cause the Board to deposit moneys into or transfer moneys out of, the Rebate Fund from or into such accounts or funds as the rebate instructions direct.

The Trustee shall conclusively be deemed to have complied with the provisions of this section if it follows the directions of the Board set forth in the rebate instructions and shall not be required to take any actions thereunder in the absence of rebate instructions from the Board.

Notwithstanding any provisions of this section, if the Board shall provide to the Trustee an opinion of Bond Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, the Trustee and the Board may conclusively rely on such opinion in complying with the requirements of this section, and the covenants under the Indenture shall be deemed to be modified to that extent.

## **Funds and Accounts and Subaccounts**

The Trustee and the Board may from time to time establish such additional funds and accounts under the Indenture and such subfunds or subaccounts therein as the Trustee or the Board may determine to be necessary, appropriate or convenient for the purposes of administering the Gross Revenues or the proceeds of the Bonds or any other moneys related thereto.

## **Particular Covenants of the Board of Trustees**

### *Additional Indebtedness.*

- (a) The Board shall not issue or incur any Indebtedness secured by a Senior Lien.
- (b) So long as no Event of Default has occurred or is continuing under the Indenture, the Board may issue or incur Indebtedness secured by a Parity Lien if there is filed with the Trustee a Certificate of the Board confirming its expectation that, for the first full Fiscal Year following the date the Project financed or refinanced with the proceeds of such Indebtedness secured by a Parity Lien is placed in service, Net Income Available for Debt Service for such Fiscal year shall be in an amount at least equal to Aggregate Debt Service for such Fiscal Year on all Indebtedness and Designated Auxiliary Debt.
- (c) Nothing in the Indenture shall limit the power of the Board to issue or incur (i) any Indebtedness secured by a Subordinate Lien; or (ii) any Indebtedness which is not secured by any pledge, lien or encumbrance on Gross Revenues.

*Power to Issue Bonds and Make Pledge and Assignment.* The Board is duly authorized pursuant to the Act to issue the Bonds and to execute and deliver the Indenture and to pledge and assign the Gross Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding limited obligations of the Board in accordance with their terms, and the Board shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Gross Revenues and other assets and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

*Payment of Taxes and Claims.* The Board or the Trustee shall, from time to time, but solely from Gross Revenues, duly pay and discharge, or cause to be paid and discharged, any property taxes, assessments or other governmental charges that may be lawfully imposed upon the Gross Revenues or other assets pledged or assigned under the Indenture, when the same shall become due, as well as any lawful claim which, if unpaid, might by law become a lien or charge upon the Gross Revenues or such other assets or which might impair the security of the Bonds.

### *Accounting Records and Financial Statements.*

- (a) The Board shall keep or cause to be kept proper books of record and account in which complete and accurate entries shall be made in accordance with industry standards of all transactions relating to the proceeds of Bonds, the Gross Revenues, and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Trustee and by any Bondholder, or its agent or representative duly authorized in writing, during any Business Day at reasonable hours and under reasonable circumstances, including at least 24 hours notice.
- (b) Not later than two hundred ten (210) days after the end of each Fiscal Year of the Board, commencing with the Fiscal Year ending June 30, 2021, the Board will furnish to the Trustee a detailed, certified report of audit, based on an examination sufficiently complete to comply with generally accepted auditing standards, prepared by an Independent Certified Public Accountant, covering the operations of the Projects for the Fiscal Year next preceding, and showing the Gross Revenues and expenses (by major classification) for such period. There shall also be included with each audit report a written opinion of the Independent Certified Public Accountant, to the effect that in making the examination necessary in connection with said audit, no knowledge of any default by the Board in the fulfillment of any of the terms, covenants, provisions and conditions of the Indenture, or any



Supplemental Indenture, was obtained or, if said accountant shall have obtained knowledge of any such default, a statement of the default or defaults thus discovered and the nature thereof.

(c) Not later than two hundred ten (210) days after the end of each Fiscal Year of the Board, the Board shall also furnish to the Trustee a certified report of audit, prepared by an Independent Certified Public Accountant, reflecting the financial condition and record of operation of the Board.

*Tax Covenants.* The Board will not make any use of the proceeds of the tax-exempt Bonds or any other funds of the Board or of the Projects which will cause any tax-exempt Bond to be an “arbitrage bond” subject to federal income taxation by reason of Section 148 of the Code, or a “federally-guaranteed obligation” under Section 149(b) of the Code, or a “private activity bond” as described in Section 141 of the Code. To that end, the Board, with respect to such proceeds and such other funds and the Projects, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such requirements are, at the time, applicable and in effect.

The Board further covenants that it will not use or permit the use of the Projects by any person for a “private business use” within the meaning of Section 141(b) of the Code, in such manner or to such extent as would result in the inclusion of interest received on tax-exempt Bonds in gross income for federal income tax purposes under Section 103 of the Code.

If at any time the Board is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee or under the Indenture, the Board shall so instruct the Trustee or the appropriate officers of the Board in writing, and the Trustee or the appropriate officers of the Board, as the case may be, shall take such actions as may be necessary in accordance with such instructions.

In furtherance of the covenants of the Board set forth above, the Board will comply with the Tax Certificate and will cause the Trustee to comply with the Tax Certificate.

The Board may provide in a Supplemental Indenture for a Series of Bonds that all or a portion of the provisions of this sub-section shall not apply to such Series of Bonds. The Board has provided in the Thirty-Sixth Supplemental Indenture that this sub-section does not apply to the Series 2021B Bonds.

*Compliance with Indenture, Contracts, Laws and Regulations.* The Board shall faithfully observe and perform all the covenants, conditions and requirements of the Indenture, shall not issue any Bonds in any manner other than in accordance with the Indenture, and shall not suffer or permit any default to occur under the Indenture, or do or permit to be done, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to the Indenture. Subject to the limitations end consistent with the covenants, conditions and requirements contained in the Indenture, the Board and the Trustee shall comply with the terms, covenants and provisions of all contracts concerning or affecting the application of proceeds of Bonds or the Gross Revenues.

*Maintenance of Projects.* The Board shall maintain the Projects in good condition and repair, such condition and repair to be comparable with that of similar types of properties. The Board may from time to time enter into leases of the Projects to a Person upon such terms and conditions as the Board may determine.

*Insurance; Use of Insurance or Condemnation Proceeds.* The Board shall maintain or cause to be maintained insurance or risk management programs of such type, in such amounts and against such risks as are appropriate, as determined by the Board, for facilities of similar size and nature as the Projects (and in any event as are consistent with the amounts and risks applicable to other similar properties of the Board), including, but not limited to, fire and extended coverage insurance, public liability insurance, workers’ compensation insurance and business interruption insurance, in the event and to the extent such insurance is customarily maintained by the Board for facilities of similar size and nature as the Projects. The Board shall pay as the same become due all premiums in respect thereto. In the event of any damage to, or destruction or condemnation of, any Project, the Board will promptly arrange for the application of the insurance proceeds or condemnation awards for the repair, reconstruction or replacement of the damaged, destroyed or taken portion thereof, or for the payment of Indebtedness or such other purpose as the Board may determine.

*Rate Covenant.* The Board shall set rates, charges, and fees for the Projects for the then current Fiscal Year so as to cause Net Income Available for Debt Service to be in an amount at least equal to Aggregate Debt Service for all Indebtedness and Designated Auxiliary Debt for such Fiscal Year.

*Continuing Disclosure for the Series 2021 Bonds.* The Board and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the 2021 Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Board or the Treasurer to comply with the 2021 Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Treasurer may (and, at the request of any Participating Underwriter (as defined in the 2021 Continuing Disclosure Certificate) or the holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Series 2021 Bonds shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board or the Treasurer, as the case may be, to comply with its obligations under this section. For purposes of this section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2021 Bonds (including persons holding Series 2021 Bonds through nominees, depositories or other intermediaries).

### **Events of Default**

The following events shall be Events of Default under the Indenture:

- (a) default in the due and punctual payment of the principal of, or interest or redemption premium, if any, on, any Bond when due and payable;
- (b) default in the due and punctual payment of the principal of, or interest or redemption premium, if any, on, any Indebtedness secured by a Parity Lien when due and payable; or
- (c) default by the Board in the observance of any of the covenants, agreements or conditions on its part of the Indenture or in the Bonds contained, other than a default described in (a) or (b) above, and continuance of such default for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Board by the Trustee, or to the Board and the Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding.

### **Acceleration of Maturities**

If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall, upon notice in writing to the Board, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. The Trustee shall immediately give notice of such declaration to Bondholders, in the same manner that notices of redemption are given, specifying the date of such declaration, that as of the Business Day immediately following such declaration the Bonds shall cease to bear interest, and that all principal of and interest on the Bonds to the Business Day immediately following such declaration of acceleration shall be payable upon the surrender thereof at the Designated Office of the Trustee.

### **Application of Gross Revenues and Other Funds after Default**

If an Event of Default shall occur, then, and in every such case during the continuance of such Event of Default, all Gross Revenues and any other moneys then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

- (a) To the payment of any compensation and expenses as due to the Trustee under the Indenture;
- (b) To the payment of Maintenance and Operation Expenses, provided that the Trustee will make payments for Maintenance and Operation Expenses only upon receipt from the Board of a Certificate stating the

nature and amount of such expenses, and the person or persons to whom such expenses are payable, and certifying that such expenses constitute Maintenance and Operation Expenses properly payable from the Gross Revenues; and

(c) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, any stamping thereon of the payment if only partially paid or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over the principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

#### **Modification of Indenture without Consent of Bondholders**

The Board and the Trustee from time to time and at any time, subject to the conditions and restrictions contained in the Indenture, may enter into an indenture or indentures supplemental hereto, which indenture or indentures thereafter shall form a part of the Indenture, for any one or more or all of the following purposes:

(a) to add to the covenants and agreements of the Board contained in the Indenture, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved in the Indenture to or conferred upon the Board;

(b) to evidence the succession of another governmental unit or entity, whether public or private, to the Board, or successive successions, and the assumption by such successor of the covenants and obligations of the Board contained in the Bonds and in the Indenture;

(c) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to any matters or any questions arising under the Indenture, as the Board may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(d) to conform to the terms and conditions of the reimbursement agreements or loan agreements or similar documents relating to letters of credit, lines of credit, bond insurance policies, reserve fund surety bonds or policies, guarantees or similar undertakings for the Bonds provided by a Credit Facility Provider;

(e) to conform to the terms and conditions of the Security Documents evidencing a Parity Lien, provided such modification shall not materially adversely affect the interests of the Holders of the Bonds;

(f) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if the Board so determines, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(g) to provide procedures required to permit any Holder, at its option, to utilize an uncertificated system of registration of its Bonds;

(h) to provide for the procedures required to permit any Holder to separate the right to receive interest on the Bonds from the right to receive the principal thereof and to sell or dispose of such rights, as contemplated by Section 1286 of the Code; and

(i) if permitted under the Act, (1) to provide for the issuance of Bonds and the loan of the proceeds of such Bonds to a Designated Auxiliary Organization, which Bonds shall be repaid from Gross Revenues; or (2) to provide for the issuance of Bonds for the acquisition or construction of a Project to be leased or sold to a Designated Auxiliary Organization, which Bonds shall be repaid from Gross Revenues.

Any Supplemental Indenture authorized by the provisions of this section may be executed by the Board and the Trustee without the consent of the owners of any of the Bonds at the time Outstanding but the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

#### **Modification of Indenture with Consent of Bondholders**

With the consent of the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds at the time Outstanding, the Board and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner, or eliminating any of the provisions of, the Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture shall (1) extend the stated maturity of the Bonds or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each Bond so affected, (2) reduce the aforesaid percentage of owners of Bonds required to approve any such Supplemental Indenture, without the consent of the owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without his written assent thereto. Upon receipt by the Trustee of a Certificate of the Board authorizing the execution of any such Supplemental Indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, the Trustee shall join with the Board in the execution of such Supplemental Indenture.

It shall not be necessary for the consent of the Bondholders under this section to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

#### **Effect of Supplemental Indenture**

Upon the execution of any Supplemental Indenture pursuant to the provisions of the sections "Modification of Indenture without Consent of Bondholders" or "Modification of Indenture with Consent of Bondholders" above, the Indenture shall be and be deemed to be modified and amended in accordance therewith, and respective rights, duties and obligations under the Indenture of the Board, the Trustee and all owners of Bonds Outstanding shall thereafter be determined, exercised and endorsed under the Indenture subject in all respects to such modification and amendments, and all the terms and conditions of any such Supplemental Indenture shall be and be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

## Defeasance

Bonds may be paid by the Board in any of the following ways; provided that the Board also pays or causes to be paid any other sums payable under the Indenture by the Board and related to the Bonds:

- (a) by paying or causing to be paid the principal and interest on Outstanding Bonds; as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Outstanding Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, Outstanding Bonds.

If the Board shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable under the Indenture by the Board, then and in that case, at the election of the Board (evidenced by a Certificate of the Board, filed with the Trustee, signifying the intention of the Board to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Gross Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Board under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture and except for the obligation of the Board to pay any amounts under and to otherwise satisfy all of its obligations to the Trustee under the Indenture. In such event, upon Request of the Board, the Trustee shall cause an accounting for such period or periods as may be requested by the Board to be prepared and filed with the Board and shall execute and deliver to the Board all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee and any paying agents shall pay over, transfer, assign or deliver to the Board all moneys or securities or other property held by them pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture, then all liability of the Board in respect of such Bond shall cease, terminate and be completely discharged, except only that thereafter the owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the Board, and the Board shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, provided further, however, that the provisions of the Indenture concerning payment of Bonds after discharge of the Indenture shall apply in all events.

The Board may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered which the Board may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal and all unpaid interest thereon to the redemption date; or
- (b) Defeasance Securities, the principal of and interest on which when due will provide money sufficient to pay the principal and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that, in the case of Bonds

which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Board) to apply such money to the payment of such principal and interest with respect to such Bonds.

Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal or interest on any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon Request of the Board, be repaid to the Board free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease provided, however, that before the repayment of such moneys to the Board as aforesaid, the Trustee, as the case may be, shall at the request of the Board (at the cost of the Board) first mail a notice, in such form as may be deemed appropriate by the Trustee, to the owners of the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Board of the moneys held for the payment thereof.

### **PROVISIONS APPLICABLE TO THE SERIES 2016B-2 BONDS**

**THIS OFFICIAL STATEMENT AND REMARKETING MEMORANDUM IS NOT INTENDED TO AND DOES NOT PROVIDE INFORMATION WITH RESPECT TO THE SERIES 2016B-2 BONDS AFTER ADJUSTMENT TO ANY NEW INTEREST RATE PERIOD, OTHER THAN THE TERM RATE PERIOD DESCRIBED HEREIN.**

#### *Term of the Series 2016B-2 Bonds*

The term of the Series 2016B-2 Bonds, shall be divided into consecutive Interest Rate Periods during which the Series 2016B-2 Bonds shall bear interest pursuant to an applicable interest rate mode (the Daily Rate, Weekly Rate, Applicable SIFMA-Based Interest Rates, SIFMA Delayed Remarketing Period Rates, Flexible Rate(s), Term Rate or Term Rate Delayed Remarketing Period Rates).

The Rate Period for the Series 2016B-2 Bonds shall be as described in the Official Statement and Remarketing Memorandum. The Series 2016B-2 Bonds shall initially bear interest at a Term Rate described herein, for a Term Rate Period commencing on the Date of Issuance and ending on the day immediately preceding the applicable Term Rate Scheduled Mandatory Tender Date. Interest during the Rate Period shall be payable semiannually on each Interest Payment Date.

The Series 2016B-2 Bonds shall bear interest until final payment of the principal or redemption price thereof shall have been made in accordance with the provisions of the Indenture, whether at maturity, upon redemption or otherwise. Interest on each Series 2016B-2 Bond shall be paid on the respective Interest Payment Date for the period from the last Interest Payment Date (or the Date of Issuance if there has been no prior Interest Payment Date) to and including the day preceding such Interest Payment Date. Interest on the Series 2016B-2 Bonds bearing Term Rates or Term Rate Delayed Remarketing Period Rates shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

#### **Interest Rate Period.**

The term of the Series 2016B-2 Bonds shall be divided into consecutive Interest Rate Periods. The current Rate Period for the 2016B-2 Bonds will be a Term Rate Period. The 2016B-2 Bonds shall bear interest at a Term Rate, for a Term Rate Period commencing on the Date of Issuance and ending on the day immediately preceding the applicable Term Rate Scheduled Mandatory Tender Date. Following the Call Protection Date, the Interest Rate Period for the Series 2016B-2 Bonds may be adjusted to another interest rate period, on any date on which the Series 2016B-2 Bonds are subject to optional redemption, in which event the Series 2016B-2 Bonds shall be subject to mandatory tender for purchase at the applicable price set forth herein. THIS OFFICIAL STATEMENT AND REMARKETING MEMORANDUM IS NOT INTENDED TO AND DOES NOT PROVIDE INFORMATION WITH RESPECT TO THE SERIES 2016B-2 BONDS AFTER ADJUSTMENT TO ANY NEW INTEREST RATE PERIOD.

**Adjustment to a Daily Rate Period.** By notice given by the Trustee by Electronic Means to the Tender Agent, the Remarketing Agent and the Credit Providers, if any, the Series 2016B-2 Bonds shall bear interest at a Daily Rate. Such notice shall specify the effective date of such adjustment to a Daily Rate, which shall be (a) a Business Day not earlier than 20 days after delivery of such notice (or 35 days if the then-current Interest Rate Period is a Term Rate Period or seven days if the then-current Interest Rate Period is a Term Rate Delayed Remarketing Period); and (b) in the case of an adjustment from a Term Rate Period or any Term Rate Delayed Remarketing Period, a day on which the Series 2016B-2 Bonds would be permitted to be optionally redeemed pursuant to the Indenture.

**Notice of Adjustment to a Daily Rate Period.** The Trustee shall give notice by Electronic Means of an adjustment to a Daily Rate Period to the Holders of the Series 2016B-2 Bonds to be adjusted not less than 15 days (30 days if the then-current Interest Rate Period is a Term Rate Period or five (5) Business Days if the then-current Interest Rate Period is a Term Rate Delayed Remarketing Period) nor more than 60 days prior to the effective date of such Daily Rate Period. Such notice shall state (a) that the interest rate on the Series 2016B-2 Bonds will be adjusted to a Daily Rate, (b) the effective date and the Interest Payment Dates of the Daily Rate Period, (c) that the Series 2016B-2 Bonds are subject to mandatory tender for purchase on such effective date, (d) the procedures for such mandatory tender, and (e) the Purchase Price of the Series 2016B-2 Bonds on such effective date (expressed as a percentage of the principal amount thereof). Such notice is subject to rescission.

**Adjustment to a Weekly Rate Period.** By notice given by the Trustee by Electronic Means to the Tender Agent, the Remarketing Agent and the Credit Providers, if any, the Series 2016B-2 Bonds shall bear interest at a Weekly Rate. Such notice (a) shall specify the effective date of such adjustment to a Weekly Rate, which shall be (a) a Business Day not earlier than 20 days after delivery of such notice (or 35 days if the then-current Interest Rate Period is a Term Rate Period or seven days if the then-current Interest Rate Period is a Term Rate Delayed Remarketing Period); and (b) in the case of an adjustment from a Term Rate Period or any Term Rate Delayed Remarketing Period, a day on which the Series 2016B-2 Bonds would be permitted to be optionally redeemed pursuant to the Indenture. Such notice may also specify the Interest Payment Dates to apply for such Weekly Rate Period.

**Notice of Adjustment to a Weekly Rate Period.** The Trustee shall give notice by Electronic Means of an adjustment to a Weekly Rate Period to the Holders of the Series 2016B-2 Bonds to be adjusted not less than 15 days (30 days if the then-current Interest Rate Period is a Term Rate Period or five (5) Business Days if the then-current Interest Rate Period is a Term Rate Delayed Remarketing Period) nor more than 60 days prior to the effective date of such Weekly Rate Period. Such notice shall state (a) that the interest rate on the Series 2016B-2 Bonds will be adjusted to a Weekly Rate, (b) the effective date and Interest Payment Dates of the Weekly Rate Period, (c) that the Series 2016B-2 Bonds are subject to mandatory tender for purchase on such effective date, (d) the procedures for such mandatory tender, and (e) the Purchase Price of the Series 2016B-2 Bonds on such effective date (expressed as a percentage of the principal amount thereof). Such notice is subject to rescission.

**Adjustment to a Term Rate Period.** By notice given by the Trustee by Electronic Means to the Tender Agent, the Remarketing Agent and the Credit Providers, if any, the Series 2016B-2 Bonds shall bear interest at shall bear interest at or continue in a Term Rate. Each Term Rate Period shall have a duration such that the last day of such Term Rate Period is (1) a day which both immediately precedes a Business Day and is at least nine (9) months after the effective date of such Term Rate Period or (2) if earlier, the day immediately preceding the Maturity Date of the Series 2016B-2 Bonds. Such notice shall specify the effective date of each Term Rate Period, which shall be (1) a Business Day not earlier than 20 days after delivery of such notice (or 35 days if the then-current Interest Rate Period is a Term Rate Period or seven days if the then-current Interest Rate Period is a Term Rate Delayed Remarketing Period); and (2) in the case of an adjustment from or continuation of a Term Rate Period or adjustment from any Term Rate Delayed Remarketing Period, a day on which the Series 2016B-2 Bonds would be permitted to be optionally redeemed pursuant to the Indenture. In addition, such notice shall specify the last day of such Term Rate Period and the Interest Payment Dates to be effective for such Term Rate Period and any following Term Rate Delayed Remarketing Period, or state that the last day and Interest Payment Dates will be determined by the Trustee prior to the effective date. Two or more consecutive Term Rate Periods may be specified in such notice.

In the event moneys on deposit with the Tender Agent are sufficient to pay the Purchase Price of Series 2016B-2 Bonds tendered for purchase on a Term Rate Scheduled Mandatory Tender Date for the Series 2016B-2 Bonds and if the Trustee has elected that the Series 2016B-2 Bonds be adjusted to a new Term Rate Period pursuant

to the Indenture, the following shall occur: (i) the Term Rate Period in effect immediately before such purchase shall terminate on the day prior to the Term Rate Scheduled Mandatory Tender Date and a new Term Rate Period shall commence on such date; (ii) the Term Rate Call Protection Date with respect to the Series 2016B-2 Bonds for the new Term Rate Period shall be determined pursuant to the Indenture; and (iii) the Term Rate Delayed Remarketing Period Rate for any Term Rate Delayed Remarketing Period that may follow the new Term Rate Period shall be determined pursuant to the Indenture.

The Term Rate Delayed Remarketing Period Rate for any Term Rate Delayed Remarketing Period following each Term Rate Period shall be determined by the Board by 5:00 p.m. (New York City time) on a date that is not later than (and which may be earlier than) two (2) Business Days before (1) the effective date of an adjustment of the Interest Rate Period to the Term Rate Period for the Series 2016B-2 Bonds, and (2) the first day on which any subsequent Term Rate Period shall commence for the Series 2016B-2 Bonds.

**Notice of Adjustment to a Term Rate Period.** The Trustee shall give notice by Electronic Means of an adjustment to a Term Rate Period to the Holders of the Series 2016B-2 Bonds to be adjusted not less than 15 days (30 days if the then-current Interest Rate Period is a Term Rate Period) or five (5) Business Days if the then-current Interest Rate Period is a Term Rate Delayed Remarketing Period) nor more than 60 days prior to the effective date of such Term Rate Period. Such notice shall state (a) that the interest rate on the Series 2016B-2 Bonds will be adjusted to, or continue to be, a Term Rate, (b) the effective date of the Term Rate Period, (c) the last day and Interest Payment Dates of the Term Rate Period, if they have been selected by the Trustee, (d) that the Series 2016B-2 Bonds shall be subject to mandatory tender for purchase on such effective date, (e) the procedures for such mandatory tender, and (f) the Purchase Price of the Series 2016B-2 Bonds on such effective date (expressed as a percentage of the principal amount thereof). Such notice shall be subject to rescission.

**Adjustment to a Flexible Rate Period.** By notice given by the Trustee by Electronic Means to the Tender Agent, the Remarketing Agent and the Credit Providers, if any, the Series 2016B-2 Bonds shall bear interest at shall bear interest at Flexible Rates. Such notice shall specify the effective date of the Flexible Rate Period during which the Series 2016B-2 Bonds shall bear interest at Flexible Rates, which shall be (a) a Business Day not earlier than 20 days after delivery of such notice (or 35 days if the then-current Interest Rate Period is a Term Rate Period or seven days if the then-current Interest Rate Period is a Term Rate Delayed Remarketing Period), and (b) in the case of an adjustment from a Term Rate Period or any Term Rate Delayed Remarketing Period, a day on which the Series 2016B-2 Bonds would be permitted to be optionally redeemed pursuant to the Indenture.

**Notice of Adjustment to a Flexible Rate Period.** The Trustee shall give notice by Electronic Means of an adjustment to a Flexible Rate Period to the Holders of the Series 2016B-2 Bonds to be adjusted not less than 15 days (30 days if the then-current Interest Rate Period is a Term Rate Period or five (5) Business Days if the then-current Interest Rate Period is a Term Rate Delayed Remarketing Period) nor more than 60 days prior to the effective date of such Flexible Rate Period. Such notice shall state (1) that the interest rate on the Series 2016B-2 Bonds will be adjusted to Flexible Rates, (2) the effective date and the last day of the Flexible Rate Period, (3) that the Series 2016B-2 Bonds are subject to mandatory tender for purchase on the effective date of such Flexible Rate Period, (4) the procedures for such mandatory tender, and (5) the Purchase Price of the Series 2016B-2 Bonds on such effective date (expressed as a percentage of the principal amount thereof). Such notice shall be subject to rescission.

**Adjustment to a SIFMA Rate Period.** At any time, by notice given by the Trustee by Electronic Means to the Tender Agent, the Remarketing Agent and the Credit Providers, if any, the Series 2016B-2 Bonds shall bear interest at shall bear interest at new SIFMA Rate Period. Such notice (1) shall specify the effective date of such adjustment to a SIFMA Rate Period, which shall be (a) a Business Day not earlier than 20 days after delivery of such notice (or 35 days if the then-current Interest Rate Period is a Term Rate Period or seven days if the then-current Interest Rate Period is a Term Rate Delayed Remarketing Period); and (b) in the case of an adjustment from a Term Rate Period or any Term Rate Delayed Remarketing Period, a day on which the Series 2016B-2 Bonds would be permitted to be optionally redeemed.

**Notice of Adjustment to a SIFMA Rate Period.** The Trustee shall give notice by Electronic Means of an adjustment to a new SIFMA Rate Period to the Holders of the Series 2016B-2 Bonds to be adjusted not less than 15 days (30 days if the then-current Interest Rate Period is a Term Rate Period or five (5) Business Days if the then-current Interest Rate Period is a Term Rate Delayed Remarketing Period) nor more than 60 days prior to the effective date of such SIFMA Rate Period. Such notice shall state (a) that the interest rate on the Series 2016B-2



Bonds will be adjusted to an Applicable SIFMA-Based Interest Rate, (b) the effective date of the SIFMA Rate Period, (c) that the Series 2016B-2 Bonds are subject to mandatory tender for purchase on such effective date, (d) the procedures for such mandatory tender, and (e) the Purchase Price of the Series 2016B-2 Bonds on such effective date (expressed as a percentage of the principal amount thereof). Such notice shall be subject to rescission.

**Determination Conclusive.** In the absence of manifest error, the determination of any Flexible Rate, Daily Rate, Weekly Rate, Term Rate, any Term Rate Delayed Remarketing Period Rate, each Flexible Segment, any Applicable SIFMA-Based Interest Rate and any SIFMA Delayed Remarketing Period Rate and the calculation of interest payable on the Series 2016B-2 Bonds in accordance with the Indenture shall be conclusive and binding upon each Remarketing Agent, the Trustee, the Holders of the applicable Series 2016B-2 Bonds and each Credit Provider.

**Rescission of Election.** Notwithstanding anything in the Indenture to the contrary, the Trustee may rescind any election to adjust to or continue an Interest Rate Period prior to the effective date of such adjustment or continuation by giving notice (or causing notice to be given) by Electronic Means prior to such effective date to the Tender Agent, Remarketing Agents and Credit Provider(s), if any, for the Series 2016B-2 Bonds affected thereby and the Holders of those Series 2016B-2 Bonds. In the event of such a rescission, the Series 2016B-2 Bonds affected thereby shall not be subject to mandatory tender for purchase on the effective date of the rescinded election to adjust to or continue such an Interest Rate Period, and the Interest Rate Period for the Series 2016B-2 Bonds shall not change; provided that if such mandatory tender for purchase coincides with a Term Rate Scheduled Mandatory Tender Date, and all the then-Outstanding Series 2016B-2 Bonds are not remarketed, the terms of the Series 2016B-2 Bonds shall be governed by the Indenture.

**Failure to Satisfy Conditions Precedent to an Adjustment of the Interest Rate Period.** In the event any conditions precedent to an effective date of the new Interest Rate Period for the Series 2016B-2 Bonds, then the new Interest Rate Period for the Series 2016B-2 Bonds shall not take effect and the Series 2016B-2 Bonds shall not be subject to mandatory tender for purchase. If the failed change in Interest Rate Period was from the Term Rate Period or any Term Rate Delayed Remarketing Period, then the Series 2016B-2 Bonds affected by such failed change shall remain in the Term Rate Period or Term Rate Delayed Remarketing Period, as the case may be, in each case with the interest rates then in effect as of the failed effective date of the new Interest Rate Period; provided that if such mandatory tender for purchase coincides with a Term Rate Scheduled Mandatory Tender Date, and all the Series 2016B-2 Bonds are not remarketed, the terms of the Series 2016B-2 Bonds shall be governed by the applicable provisions of the Indenture.

#### **Redemption of Series 2016B-2 Bonds.**

During any Term Rate Period or any Term Rate Delayed Remarketing Period for the Series 2016B-2 Bonds, the Series 2016B-2 Bonds shall be subject to redemption (a) during a Term Rate Period, on the applicable Term Rate Call Protection Date or any Business Day thereafter and (b) during a Term Rate Delayed Remarketing Period, on any Business Day, in each case at a redemption price of 100% of the principal amount thereof.

Except as provided in the Indenture, any Series 2016B-2 Bond subject to optional or mandatory tender for purchase as set forth in the Indenture, which is not purchased on the Purchase Date from the Remarketing Account or the Credit Agreement Purchase Account, if any, shall be redeemed on such date with moneys provided from the Redemption Account at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption. No notice of such mandatory redemption is required under the Indenture.

The Trustee may not adjust the Interest Rate Period for any Series 2016B-2 Bonds that have been called for redemption.

#### **Mandatory Tender of the Series 2016B-2 Bonds.**

The Series 2016B-2 Bonds are subject to mandatory tender for purchase at a Purchase Price equal to 100% of the principal amount thereof, plus accrued interest to the Purchase Date, on the applicable Term Rate Scheduled Mandatory Tender Date. Failure to pay the Purchase Price of all the Series 2016B-2 Bonds tendered on a Term Rate Scheduled Mandatory Tender Date shall not constitute an Event of Default. In the event of a failure to pay the Purchase Price of all of the Series 2016B-2 Bonds tendered for purchase on a Term Rate Scheduled Mandatory Tender Date, a Term Rate Delayed Remarketing Period shall commence on such date and continue until the earlier

of (a) the date on which all the Series 2016B-2 Bonds are successfully remarketed pursuant to the Indenture or (b) the date on which all of the Series 2016B-2 Bonds have been redeemed or paid at maturity. During such a Term Rate Remarketing Period, the bonds shall bear interest at the Term Rate Delayed Remarketing Period Rate as designated by the Remarketing Agent pursuant to the Indenture. Notwithstanding the foregoing, Series 2016B-2 Bonds that have not been purchased or redeemed on the Term Rate Scheduled Mandatory Tender Date shall bear interest from and including such Term Rate Scheduled Mandatory Tender Date until the date the Series 2016B-2 Bonds are remarketed, redeemed or paid at maturity at the respective rates per annum for the applicable period of days as set forth in the following table:

| For the Period (in Days)<br>on and after the<br><u>Mandatory Tender Date</u> | <u>Interest Rate</u><br><u>Per Annum</u> |
|--|--|
| 0 to 89 days   | 6%                                       |
| 90 days and thereafter   | 8%                                       |

The Series 2016B-2 Bonds are further subject to mandatory tender for purchase subject to adjustment of the Interest Rate Period, the addition of a Credit Agreement, or the substitution of a Credit Provider on any date on which the Series 2016B-2 Bonds are subject to optional redemption. Any such bonds will be subject for mandatory tender for purchase at the applicable price as set forth in the Indenture.

**Mandatory Tender for Purchase.** Series 2016B-2 Bonds shall be subject to mandatory tender for purchase at a Purchase Price equal to 100% of the principal amount thereof, plus accrued interest to the Purchase Date in immediately available funds, on the effective date of (i) any adjustment of the Interest Rate Period for such Bond, or (ii) the substitution of a Credit Provider for such Bond;

As to each Series 2016B-2 Bond in a Term Rate Period, on the applicable Term Rate Scheduled Mandatory Tender Date, the failure to pay the Purchase Price of all tendered Series 2016B-2 Bonds on a Term Rate Scheduled Mandatory Tender Date shall not constitute an Event of Default and in the event of a failure to pay the Purchase Price of all of the Series 2016B-2 Bonds tendered for purchase on a Term Rate Scheduled Mandatory Tender Date, a Term Rate Delayed Remarketing Period shall commence on such date as provided in the Indenture.

The Trustee shall give notice by Electronic Means to the Holders of, and the Remarketing Agents for, the Series 2016B-2 Bonds subject to mandatory tender for purchase on the applicable Term Rate Scheduled Mandatory Tender Date not later than thirty (30) nor sooner than sixty (60) days prior to the date on which the Series 2016B-2 Bonds will be subject to mandatory tender for purchase, which notice shall state: (i) the Interest Rate Period applicable to the Series 2016B-2 Bonds from and after the Purchase Date; (ii) that such tendered Series 2016B-2 Bonds will be subject to mandatory tender for purchase and specifying the date such purchase shall occur; (iii) the procedures for such mandatory tender for purchase; (iv) the Purchase Price of the Series 2016B-2 Bonds to be purchased and (v) the consequences of a failed remarketing.

Series 2016B-2 Bonds shall also be subject to mandatory tender for purchase during any Term Rate Delayed Remarketing Period in accordance with the Indenture.

**Delivery of Tendered Series 2016B-2 Bonds.** With respect to any Book-Entry Bond, delivery of such Bond to the Tender Agent in connection with any optional or mandatory tender for purchase pursuant to the Indenture shall be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of DTC or any DTC Participant to reflect the transfer of the beneficial ownership interest in such Bond to the account of the Tender Agent, or to the account of a DTC Participant acting on behalf of the Tender Agent on the Purchase Date. With respect to any Series 2016B-2 Bond which is not a Book-Entry Bond, delivery of such Bond to the Tender Agent in connection with any optional or mandatory tender for purchase pursuant to the Indenture shall be effected by physical delivery of such Bond to the Tender Agent at its Principal Office, by 1:00 p.m. (New York City time) on the Purchase Date, accompanied by an instrument of transfer thereof, in a form satisfactory to the Tender Agent, executed in blank by the Holder thereof with the signature of such Holder guaranteed in accordance with the guidelines set forth by one of the nationally recognized medallion signature programs.

### **Series 2016B-2 Bonds Deemed Purchased.**

If moneys sufficient to pay the Purchase Price of Series 2016B-2 Bonds to be purchased pursuant to the Indenture shall be held by the Tender Agent under the Indenture on the date and at the time the Series 2016B-2 Bonds are to be purchased, the Series 2016B-2 Bonds shall be deemed to have been purchased for all purposes of the Indenture, irrespective of whether or not the Series 2016B-2 Bonds shall have been delivered to the Tender Agent, and neither the former Holder of the Series 2016B-2 Bonds nor any other person shall have any claim thereon, under the Indenture or otherwise, for any amount other than the Purchase Price thereof.

In the event of non-delivery of any Series 2016B-2 Bond to be purchased pursuant to the Indenture, the Tender Agent shall segregate and hold uninvested the moneys for the Purchase Price of the Series 2016B-2 Bonds in trust, without liability for interest thereon, for the benefit of the former Holders of the Series 2016B-2 Bonds, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of the Series 2016B-2 Bonds. Any moneys which the Tender Agent shall segregate and hold in trust for the payment of the Purchase Price of any Series 2016B-2 Bond and remaining unclaimed for two (2) years after the date of purchase shall be paid, upon the Trustee's written request, to the Trustee. After the payment of such unclaimed moneys to the Trustee, the former Holder of such Bond shall look only to the Trustee for the payment thereof.

**Bond Purchase Fund.** There shall be created and established with the Tender Agent for the Series 2016B-2 Bonds a separate trust fund designated the "California State University Bonds Purchase Fund" (the "Bond Purchase Fund"). There shall also be created and established three separate accounts in the Bond Purchase Fund designated the "Remarketing Account," the "Credit Agreement Purchase Account," and the "Redemption Account." The Tender Agent shall create and maintain separate subaccounts within each account referred to in the previous sentence for the Series 2016B-2 Bonds supported by a separate Credit Agreement, if any, and remarketed by a different Remarketing Agent.

**Remarketing Account.** All moneys received by the Tender Agent on behalf of purchasers of the Series 2016B-2 Bonds shall be; (i) deposited in the appropriate subaccount in the Remarketing Account within the Bond Purchase Fund, (ii) held in trust in accordance with the provisions of the Indenture and (iii) paid out in accordance with the Indenture.

**Credit Agreement Purchase Account.** All moneys received by the Tender Agent as payments under any Credit Agreement for the purchase of Series 2016B-2 Bonds shall be (i) deposited in the appropriate subaccount in the Credit Agreement Purchase Account within the Bond Purchase Fund, (ii) held in trust in accordance with the provisions of the Indenture and (iii) paid out in accordance with the Indenture.

**Redemption Account.** All moneys received by the Tender Agent from the Trustee for the redemption of Series 2016B-2 Bonds shall be (i) deposited in the appropriate subaccount in the Redemption Account within the Bond Purchase Fund, (ii) held in trust in accordance with the provisions of the Indenture and (iii) paid out in accordance with the Indenture.

The moneys in the Bond Purchase Fund for the Series 2016B-2 Bonds shall be used solely to acquire or redeem Series 2016B-2 Bonds as provided in the Indenture (or to reimburse the Credit Providers, if any, for payments made under the Credit Agreement for such purpose) and may not be used for any other purposes except as otherwise permitted by the Indenture. All amounts held in the Bond Purchase Fund and the Credit Agreement Purchase Account, Remarketing Account and Redemption Account therein for Series 2016B-2 Bonds shall be held uninvested and in trust by the Tender Agent for the benefit of the Holders of tendered the Series 2016B-2 Bonds (provided that any amounts held in a Remarketing Account which are derived from the remarketing of Credit Provider Bonds shall be held in trust for the benefit of the Credit Provider entitled thereto).

**Deposit of Series 2016B-2 Bonds.** The Tender Agent agrees to accept and hold all Series 2016B-2 Bonds delivered to it pursuant to the Indenture in trust for the benefit of the respective Bondholders which shall have so delivered the Series 2016B-2 Bonds until the Purchase Price of the Series 2016B-2 Bonds shall have been delivered to or for the account of or to the order of such Holders in accordance with the Indenture. Any Series 2016B-2 Bonds registered for transfer to new purchasers and delivered to the Tender Agent shall be held in trust by the Tender Agent for the benefit of such new purchasers until delivery to such new purchasers.

### **Deposits into Remarketing Account and Redemption Account.**

The terms of any sale by a Remarketing Agent of tendered Series 2016B-2 Bonds shall provide for the payment of the Purchase Price for tendered Series 2016B-2 Bonds by the Remarketing Agent to the Tender Agent for deposit in the Remarketing Account of the Bond Purchase Fund in immediately available funds on the Purchase Date. The Remarketing Agent shall cause to be paid to the Tender Agent on each Purchase Date for tendered Series 2016B-2 Bonds all amounts representing proceeds of the remarketing of the Series 2016B-2 Bonds.

With respect to any mandatory tender for purchase of the Series 2016B-2 Bonds in a Term Rate Period, in the event sufficient remarketing or refunding proceeds are not available for the purchase of all then-Outstanding Series 2016B-2 Bonds or portion thereof tendered or deemed tendered and required to be purchased on such mandatory purchase date, then: (i) no such purchase shall occur and the Tender Agent shall promptly return all Series 2016B-2 Bonds tendered or deemed tendered to the Holders thereof together with notice of such insufficiency and the Tender Agent and the Remarketing Agent shall promptly return all remarketing proceeds to the persons providing such moneys without interest; (ii) the Term Rate Period then in effect will terminate on the day prior to such Term Rate Scheduled Mandatory Tender Date; (iii) a Term Rate Delayed Remarketing Period will commence on such Term Rate Scheduled Mandatory Tender Date and such failed purchase shall not constitute an Event of Default under the Indenture.

In connection with any mandatory tender for purchase of the Series 2016B-2 Bonds in a Term Rate Period or any Term Rate Delayed Remarketing Period which occurs on a date other than the applicable Term Rate Scheduled Mandatory Tender Date, in the event sufficient remarketing proceeds are not available for the purchase of all or such portion of the then-Outstanding Series 2016B-2 Bonds required to be purchased on such date, then: (i) no such purchase shall occur and the Tender Agent shall promptly return all Series 2016B-2 Bonds tendered or deemed tendered to the Bondholders thereof together with notice of such insufficiency and the Tender Agent and the Remarketing Agent shall promptly return all remarketing proceeds to the persons providing such moneys without interest; (ii) the Series 2016B-2 Bonds shall continue to bear interest at the Term Rate or Term Rate Delayed Remarketing Period Rate, as applicable; and (iii) such failed purchase shall not constitute an Event of Default under the Indenture.

During a Term Rate Delayed Remarketing Period for the Series 2016B-2 Bonds, the following will apply:

- i. All of the applicable Series 2016B-2 Bonds will bear interest at the Term Rate Delayed Remarketing Period Rate applicable for such Term Rate Delayed Remarketing Period (not to exceed the Maximum Interest Rate);
- ii. The Remarketing Agent will continue to be obligated to remarket the Series 2016B-2 Bonds.
- iii. The applicable Series 2016B-2 Bonds will continue to be subject to optional redemption provided that notwithstanding anything to the contrary in the Indenture, the Trustee shall only be required to give five (5) Business Days' notice of such redemption to the Holders of the Series 2016B-2 Bonds to be redeemed;
- iv. The applicable Series 2016B-2 Bonds will continue to be subject to mandatory tender for purchase. The Trustee may, by notice to the Tender Agent and the Remarketing Agent, direct an adjustment to the Interest Rate Period for the Series 2016B-2 Bonds in accordance with the Indenture; and
- v. If the Series 2016B-2 Bonds are successfully remarketed, the Holders thereof will be obligated to tender, sell and deliver their Series 2016B-2 Bonds to the Trustee.

During the Term Rate Delayed Remarketing Period for the Series 2016B-2 Bonds, on each Business Day the Remarketing Agent will continue to use its best efforts to remarket all of the Series 2016B-2 Bonds in such new Interest Rate Period as directed by the Board. Once the Remarketing Agent for the Series 2016B-2 Bonds has advised the Trustee and the Tender Agent of its ability to remarket all of the applicable then-Outstanding Series 2016B-2 Bonds into the then directed Interest Rate Period, the Trustee will establish a new mandatory tender date and will give notice by Electronic Means to the Holders of the Series 2016B-2 Bonds not less than five (5) Business Days prior to the date on which the Series 2016B-2 Bonds are to be purchased, which notice shall state: (i) the Interest Rate Period applicable to the Series 2016B-2 Bonds from and after the Purchase Date; (ii) that the Series

2016B-2 Bonds will be subject to mandatory tender for purchase and specifying the date such purchase shall occur; (iii) the procedures for such mandatory tender for purchase; (iv) the Purchase Price of the Series 2016B-2 Bonds to be purchased and (v) the consequences of a failed remarketing.

If notwithstanding such notice from the Remarketing Agent, there are insufficient remarketing proceeds to pay the Purchase Price of all of the then-Outstanding Series 2016B-2 Bonds on the purchase date so noticed, all of the applicable Series 2016B-2 Bonds will be returned to the Bondholders and any remarketing proceeds will be returned to the persons who paid such moneys, all in the same manner as for a failure of remarketing on the related Term Rate Scheduled Mandatory Tender Date pursuant to the Indenture, and the Term Rate Delayed Remarketing Period will continue, with the provisions for calculating the interest rate relating back to such Term Rate Scheduled Mandatory Tender Date.

The Term Rate Delayed Remarketing Period for the Series 2016B-2 Bonds, will terminate on the day prior to the first to occur of (i) the purchase of all of the Series 2016B-2 Bonds pursuant to the Indenture, or (ii) the date on which all of the applicable Series 2016B-2 Bonds are redeemed in accordance with the Indenture or all principal of and interest on the Series 2016B-2 Bonds are otherwise paid in full.

#### **Disbursements from the Bond Purchase Fund.**

*Application of Moneys.* Moneys in the Bond Purchase Fund (other than the proceeds of any remarketing of Credit Provider Bonds, if any, which shall be paid to the applicable Credit Provider on the remarketing date) shall be applied at or before 3:00 p.m. (New York City time) to the purchase or redemption of Series 2016B-2 Bonds as provided in the Indenture by the Tender Agent, on each Purchase Date or date fixed for redemption as applicable, as follows:

First -- Moneys constituting funds in the Remarketing Account shall be used by the Tender Agent on any Purchase Date to purchase tendered Series 2016B-2 Bonds of the applicable Series at the Purchase Price.

Second -- In the event such moneys in the Remarketing Account on any Purchase Date are insufficient to purchase all tendered Series 2016B-2 Bonds, if a Credit Agreement is in place, moneys in the Credit Agreement Purchase Account on such Purchase Date shall be used by the Tender Agent at that time to purchase such remaining tendered Series 2016B-2 Bonds at the Purchase Price thereof.

Third -- Except as provided in the Indenture, in the event such moneys in the Remarketing Account and the Credit Agreement Purchase Account, if any, on any Purchase Date are insufficient to purchase all tendered Series 2016B-2 Bonds, moneys in the Redemption Account on such Purchase Date, if any, shall be used by the Tender Agent at that time to redeem such remaining tendered Series 2016B-2 Bonds pursuant to the Indenture.

Fourth -- Moneys in the Redemption Account shall be used by the Tender Agent to pay the redemption price, plus unpaid and accrued interest to the date fixed for redemption, of Series 2016B-2 Bonds redeemed in accordance with the Indenture.

Notwithstanding anything to the contrary in this Section, if the Series 2016B-2 Bonds are Book-Entry Series 2016B-2 Bonds, payment of the Purchase Price for tendered Series 2016B-2 Bonds or redemption price shall be made in accordance with the rules and procedures of DTC.

#### **Appointment, Duties and Qualifications of Tender Agents.**

The Board is authorized and directed to appoint one or more Tender Agents and to enter into Tender Agent Agreements governing the duties and responsibilities of the Tender Agent. The Tender Agent may also act as paying agent for the Series 2016B-2 Bonds. During a Term Rate Period and any Term Rate Delayed Remarketing Period, the Trustee may act as paying agent for the Series 2016B-2 Bonds. The Board may elect not to have a Tender Agent in place for the Series 2016B-2 Bonds during a Term Rate Period, provided, however, the Board shall select the initial Tender Agent for the Series 2016B-2 Bonds no later than 60 days prior to the last day of the current Rate Period and for any subsequent Term Rate Period for the Series 2016B-2 Bonds no later than 60 days prior to the Term Rate Scheduled Mandatory Tender Date.

Board may remove said firm as Tender Agent and appoint one or more successors thereto (which shall be a commercial bank or trust company). All Series 2016B-2 Bonds validly authenticated and delivered by the Tender Agent prior to its removal, and the authority granted to the Tender Agent with respect to the payment of the Series 2016B-2 Bonds, shall be valid obligations notwithstanding such removal.

The Tender Agent may resign by notifying the Board, the Trustee, the Credit Providers, the Remarketing Agents and the Bondholders at least 30 days before the effective date of such resignation. The Board may remove the Tender Agent and appoint a successor by notifying the Tender Agent, the Remarketing Agents, the Trustee and each Credit Provider and obtaining the consent of each Credit Provider (which consents shall not be unreasonably withheld). No resignation or removal shall be effective until the successor has delivered an acceptance of its appointment to the Board, the Trustee and the predecessor Tender Agent.

#### **Appointment, Duties and Qualifications of Remarketing Agents.**

The Board is authorized and directed to appoint one or more Remarketing Agents for the Series 2016B-2 Bonds, subject to the conditions of the Indenture. Each such Remarketing Agent shall be a bank, trust company or member of the Financial Industry Regulatory Authority (formerly National Association of Securities Dealers, Inc.) organized and doing business under the laws of any state of the United States of America or the District of Columbia. The Board shall select the initial Remarketing Agent for the Series 2016B-2 Bonds no later than 60 days prior to the last day of the current Rate Period and for any subsequent SIFMA Rate Period or Term Rate Period for the Series 2016B-2 Bonds no later than 60 days prior to the related SIFMA Scheduled Mandatory Tender Date or Term Rate Scheduled Mandatory Tender Date, as applicable.

The Board may at any time remove any Remarketing Agent. The Remarketing Agent, or any successor Remarketing Agent, may at any time resign by giving at least 30 days' prior notice by Electronic Means of such resignation as required by the Indenture, provided, however, that the Remarketing Agent may not be removed or resign unless a new Remarketing Agent has been designated to replace the Remarketing Agent pursuant to the Remarketing Agreement, effective at the time of such removal or resignation, subject to the Indenture and the Remarketing Agreement.

**Maintenance of Tender Agent.** Subject to the Indenture, so long as the Series 2016B-2 Bonds are Outstanding and bear interest at a Daily Rate, Weekly Rate, Flexible Rate, Term Rate, Term Rate Delayed Remarketing Period Rate, Applicable SIFMA-Based Interest Rate or SIFMA Delayed Remarketing Period Rate, the Board will at all times maintain a Tender Agent for the Series 2016B-2 Bonds. Notwithstanding the foregoing, the Board shall select the initial Tender Agent for the Series 2016B-2 Bonds no later than 60 days prior to the last day of the current Rate Period and for any subsequent Term Rate Period for the Series 2016B-2 Bonds no later than 60 days prior to the related Term Rate Scheduled Mandatory Tender Date.

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated July 29, 2021 (the “Disclosure Certificate”) is executed and delivered by the Trustees of the California State University (the “Board”) in connection with the issuance of \$124,235,000 principal amount of the Trustees of the California State University Systemwide Revenue Bonds, Series 2021A and \$1,664,085,000 principal amount of the Trustees of the California State University Systemwide Revenue Bonds, Series 2021B (Taxable) (collectively, the “Bonds”). The Bonds are being issued pursuant to an Indenture, dated as of April 1, 2002, as supplemented, including by a Thirty-Fifth Supplemental Indenture and a Thirty-Sixth Supplemental Indenture, each dated as of July 1, 2021 (the “Indenture”), by and between the Board and the Treasurer of the State of California, as trustee (the “Trustee”). The Board covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is executed for the benefit of the Holders and Beneficial Owners (as defined below) of the Bonds from time to time, but shall not be deemed to create any monetary liability on the part of the Board to any other persons, including Holders or Beneficial Owners of the Bonds based on the Rule (as defined below). The sole remedy in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance of any act required hereunder.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report filed by the Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Board, or any successor Dissemination Agent designated in writing by the Board and which has filed with the Board a written acceptance of such designation.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall have the meaning given thereto in Section 4(2) of this Disclosure Certificate.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Board shall, or shall cause the Dissemination Agent to, not later than January 1 of each year in which the Bonds are Outstanding, commencing January 1, 2022, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Board with respect to the Gross Revenues (as defined in the Indenture) may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if such financial statements are not available by that date. If the Board's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the Board shall provide the Annual Report to the Dissemination Agent (if other than the Board). If the Board is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Board shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Board) file a report with the Board certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The Board's Annual Report shall contain or include by reference the following:

(1) The audited financial statements of the Board with respect to the Gross Revenues (as defined in the Indenture) for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board or the Government Accounting Standards Board, as may then be applicable in the judgment of the Board. If these audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements for the prior fiscal year, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(2) The Board's Annual Reports shall contain updates or changes to certain information contained in Appendix A of the Official Statement relating to the Bonds dated July 8, 2021 (the "Official Statement") concerning the immediately preceding fiscal year, as follows:

(i) in Tables 1, 6, 8 and under the column entitled "Total Systemwide Revenue Bonds" in Table 9 (including information regarding debt service on any debt secured on a parity with the Bonds);

(ii) under the caption "SYSTEMWIDE REVENUE BOND PROGRAMS – Housing Program – Capacity and Occupancy" pertaining to the design capacity and occupancy rate of the Housing Program;

(iii) under the caption "SYSTEMWIDE REVENUE BOND PROGRAMS – Student Union Program – Rates and Charges" pertaining to the range of student body center fees per student; and

(iv) under the caption "SYSTEMWIDE REVENUE BOND PROGRAMS – Health Center Facilities Program" pertaining to the amount of the health center facility fee and the campuses of the California State University system at which such fee is imposed.

(3) Information regarding the issuance by the Board of any debt secured on a parity with the Bonds since the date of the last Annual Report.

(4) Information regarding any amendments to the Indenture made since the date of the last Annual Report.



Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Board or related public entities, which have been made available to the public on the MSRB's website. The Board shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Board shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Board, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Board shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in Section 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
7. Appointment of a successor or additional trustee or the change of name of a trustee; or
8. Incurrence of a Financial Obligation of the Board, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Board, any of which affect security holders.

(c) Whenever the Board obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Board shall determine if such event would be material under applicable federal securities laws.

(d) If a Listed Event described in Section 5(a) has occurred, or if the Board determines that a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Board shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Section (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

(e) The Board intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8), and the definition of “Financial Obligation” in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination. The Board’s reporting obligations under this Disclosure Certificate with respect to any particular Bond shall terminate upon the legal defeasance, prior redemption or payment in full of such Bond. The Board’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Board shall give notice of such termination in a filing with the MSRB.

Section 8. Dissemination Agent. The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Board pursuant to this Disclosure Certificate.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board may amend this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the

Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event or other notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event or other notice in addition to that which is specifically required by this Disclosure Certificate, the Board shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the Board to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Board to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Board agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise of performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board, the Trustee, the Dissemination Agent, each Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the Board has caused this Disclosure Certificate to be executed by its authorized representative as of the date first above written.

TRUSTEES OF THE CALIFORNIA STATE  
UNIVERSITY

By: \_\_\_\_\_  
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Trustees of the California State University  
Name of Bond Issue: Trustees of the California State University Systemwide Revenue Bonds,  
Series 2021A and Series 2021B (Taxable)  
Date of Issuance: July 29, 2021

NOTICE IS HEREBY GIVEN that the Trustees of the California State University (the "Board") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed and delivered by the Board with respect to the above-named Bonds. [The Board anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

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Authorized Representative

**APPENDIX F-1**

**FORM OF BOND COUNSEL OPINION**

*Upon delivery of the Series 2021 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board, proposes to render its final approving opinion with respect to the Series 2021 Bonds in substantially the following form:*

[Date of Issuance of Series 2021 Bonds]

Trustees of the California State University  
Long Beach, California

Trustees of the California State University  
Systemwide Revenue Bonds, Series 2021A and Series 2021B (Taxable)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Trustees of the California State University (the “Issuer”) in connection with the issuance of \$124,235,000 aggregate principal amount of Trustees of the California State University Systemwide Revenue Bonds, Series 2021A (the “Series 2021A Bonds”) and \$1,664,085,000 aggregate principal amount of Trustees of the California State University Systemwide Revenue Bonds, Series 2021B (Taxable) (the “Series 2021B Bonds”) and, together with the Series 2021A Bonds, the “Series 2021 Bonds”), issued pursuant to The State University Revenue Bond Act of 1947 of the State of California, as amended, and pursuant to an Indenture dated as of April 1, 2002, as supplemented, including by a Thirty-Fifth Supplemental Indenture and a Thirty-Sixth Supplemental Indenture, each dated as of July 1, 2021 (the “Indenture”), each by and between the Issuer and the Treasurer of the State of California, as trustee (the “State Treasurer”). The Series 2021 Bonds are being issued to finance and refinance the costs of construction of facilities at various campuses of the California State University and to pay certain related expenses. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Issuer, dated the date hereof (the “Tax Certificate”), the opinion of counsel to the Issuer, certificates of the Issuer, the State Treasurer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Series 2021 Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Series 2021 Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2021A Bonds to be included in gross income for federal income tax purposes. We call

attention to the fact that the rights and obligations under the Series 2021 Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against agencies of the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2021 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2021 Bonds constitute the valid and binding special obligations of the Issuer payable from Gross Revenues and other amounts pledged under the Indenture, subject to the terms of the Indenture. The Issuer is not obligated to pay the principal of or interest on the Series 2021 Bonds except from such Gross Revenues and any other amounts pledged under the Indenture, subject to the terms of the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2021 Bonds, of the Gross Revenues and amounts held by the State Treasurer in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2021 Bonds are not a lien, charge or liability against the State of California, or against the Issuer or against the property or funds of either, except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2021 Bonds. The Series 2021 Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

4. Interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2021A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2021 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2021 Bonds.

Faithfully yours,

**APPENDIX F-2**

**OPINION OF BOND COUNSEL  
DELIVERED UPON ISSUANCE OF THE SERIES 2016B-2 BONDS**

*On the date of issuance of Series 2016B-2 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Board, issued the following approving opinion:*

April 20, 2016

Trustees of the California State University  
Long Beach, California

Trustees of the California State University  
Systemwide Revenue Bonds,  
Series 2016A, Series 2016B-1, Series 2016B-2 and Series 2016B-3  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Trustees of the California State University (the “Issuer”) in connection with the issuance of \$1,133,105,000 aggregate principal amount of Trustees of the California State University Systemwide Revenue Bonds, Series 2016A (the “Series 2016A Bonds”) and \$250,000,000 aggregate principal amount of Trustees of the California State University Systemwide Revenue Bonds, Series 2016B-1, Series 2016B-2 and Series 2016B-3 (collectively, the “Series 2016B Bonds” and, together with the Series 2016A Bonds, the “Series 2016 Bonds”), issued pursuant to The State University Revenue Bond Act of 1947 of the State of California, as amended, and pursuant to an Indenture dated as of April 1, 2002, as supplemented, including by a Twenty-First Supplemental Indenture and a Twenty-Second Supplemental Indenture, each dated as of April 1, 2016 (the “Indenture”), each by and between the Issuer and the Treasurer of the State of California, as trustee (the “State Treasurer”). The Series 2016 Bonds are being issued to finance and refinance the costs of construction of facilities at various campuses of the California State University, including to provide funds for the Issuer’s acquisition of unencumbered ownership interests in certain facilities currently under lease from the State Public Works Board, and to pay certain related expenses. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Issuer, dated the date hereof (the “Tax Certificate”), the opinion of counsel to the Issuer, certificates of the Issuer, the State Treasurer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to

assure that future actions, omissions or events will not cause interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2016 Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against agencies of the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2016 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2016 Bonds constitute the valid and binding special obligations of the Issuer payable from Gross Revenues and other amounts pledged under the Indenture, subject to the terms of the Indenture. The Issuer is not obligated to pay the principal of or interest on the Series 2016 Bonds except from such Gross Revenues and any other amounts pledged under the Indenture, subject to the terms of the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2016 Bonds, of the Gross Revenues and any other amounts (including proceeds of the sale of the Series 2016 Bonds) held by the State Treasurer in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2016 Bonds are not a lien, charge or liability against the State of California, or against the Issuer or against the property or funds of either, except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2016 Bonds. The Series 2016 Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

4. Interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2016 Bonds.

Faithfully yours,



## APPENDIX G

### CLEARING SYSTEMS

#### Introduction

The information in this Appendix G concerning, respectively, The Depository Trust Company (“DTC”), Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme, Luxembourg (“Clearstream Banking”) (DTC, Euroclear and Clearstream Banking together, the “Clearing Systems”), and DTC’s book-entry-only system has been provided by DTC, Euroclear and Clearstream Banking for use in disclosure documents such as this Official Statement. None of the Board, the Trustee or the Underwriters of the Series 2021 Bonds make any representation as to its accuracy or completeness. Capitalized terms used in this Appendix G which are not otherwise defined herein shall have the meaning set forth elsewhere in the Official Statement, including Appendix D.

DTC will act as the initial securities depository for the Series 2021 Bonds. Euroclear and Clearstream Banking are participants of DTC and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

The information set forth below in this Appendix G is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect and the Board expressly disclaims any responsibility to update this Official Statement to reflect any such changes. The information herein concerning the Clearing Systems has been obtained from sources that the Board believes to be reliable, but none of the Board, the Trustee or the Underwriters take any responsibility for the accuracy or completeness of the information set forth herein. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. **The Board will have no responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Series 2021 Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.**

The Beneficial Owners should confirm the following information with DTC or the DTC Participants.

So long as Cede & Co. is the registered holder of the Series 2021 Bonds, as nominee of DTC, references in the Official Statement, including the Appendices thereto, to the Holders of the Series 2021 Bonds (other than as set forth under “Tax Matters”) shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2021 Bonds.

THE BOARD AND THE TRUSTEE SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR ANY BENEFICIAL OWNER, WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL AND INTEREST DUE ON THE SERIES 2021 BONDS; (III) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE SERIES 2021 BONDS UNDER THE INDENTURE; (IV) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2021 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE SERIES 2021 BONDS; OR (VI) ANY OTHER MATTER.

THE TRUSTEE, AS LONG AS THE BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2021 BONDS, WILL SEND ANY NOTICE OF REDEMPTION AND ANY OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF SERIES 2021 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

## **Book Entry-Only System**

The Depository Trust Company (“DTC”), New York, NY, acts as securities depository for the Trustees of the California State University Systemwide Revenue Bonds, Series 2016B-2 (the “Series 2016B-2 Bonds”). DTC will act as securities depository for the Trustees of the California State University Systemwide Revenue Bonds, Series 2021A and the Trustees of the California State University Systemwide Revenue Bonds, Series 2021B (Taxable) (collectively, the “Series 2021 Bonds”). The Series 2021 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Series 2021 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2016B-2 Bonds and Series 2021 Bonds (collectively, “Offered Bonds”) under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC’s records. The ownership interest of each actual purchaser of each Offered Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in Series Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Offered Bond documents. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Offered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or the Trustee, on payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Offered Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Offered Bonds by causing the Direct Participant to transfer the Participant's interest in the Offered Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Offered Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Offered Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Offered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Offered Bonds at any time by giving reasonable notice to the Board or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Offered Bonds are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Offered Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

### **Euroclear and Clearstream Banking**

Euroclear and Clearstream Banking have advised the Board as follows:

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. Any Series 2021 Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream Banking. If the investors are participants in Clearstream Banking and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories. In all cases, the record holder of the Series 2021 Bonds will be DTC's nominee and not Euroclear or Clearstream Banking. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

The Board will not impose any fees in respect of holding the Series 2021 Bonds; however, holders of book-entry interests in the Series 2021 Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement. Interests in the Series 2021 Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series 2021 Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable thereto and applicable to DTC. Book-entry interests in the Series 2021 Bonds will be credited by DTC to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Series 2021 Bonds against payment (value as on the date of delivery of the Series 2021 Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2021 Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Series 2021 Bonds following confirmation of receipt of payment to the Board on the date of delivery of the Series 2021 Bonds.

Secondary Market Trading. Secondary market trades in the Series 2021 Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Series 2021 Bonds may be transferred within Euroclear and within

Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Series 2021 Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series 2021 Bonds between Euroclear or Clearstream Banking and DTC shall be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

### **Special Timing Considerations**

Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Series 2021 Bonds through Euroclear or Clearstream Banking on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream Banking and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Bonds, or to receive or make a payment or delivery of Series 2021 Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream Banking is used, or Brussels if Euroclear is used.

### **Clearing Information**

The Board and the Underwriters expect that the Series 2021 Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream Banking. The CUSIP numbers for the Bonds are set out on the cover page of this Official Statement.

### **Limitations**

For so long as the Series 2021 Bonds are registered in the name of DTC or its nominee, Cede & Co., the Board and the Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Series 2021 Bonds for all purposes, including payments, notices and voting. So long as Cede & Co. is the registered owner of the Series 2021 Bonds, references in this Official Statement to registered owners of the Series 2021 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2021 Bonds.

Because DTC is treated as the owner of the Series 2021 Bonds for substantially all purposes, Beneficial Owners may have a restricted ability to influence in a timely fashion remedial action or the giving or withholding of requested consents or other directions. In addition, because the identity of Beneficial Owners is unknown to the Board or DTC, it may be difficult to transmit information of potential interest to Beneficial Owners in an effective and timely manner. Beneficial Owners should make appropriate arrangements with their broker or dealer regarding distribution of information regarding the Series 2021 Bonds that may be transmitted by or through DTC.

The Board will have no responsibility or obligation with respect to:

- the accuracy of the records of DTC, its nominee or any Direct Participant or Indirect Participant with respect to any Beneficial Ownership interest in any Series 2021 Bonds;
- the delivery to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any notice with respect to any Series 2021 Bonds including, without limitation, any notice of redemption with respect to any Series 2021 Bonds;
- the payment to any Direct Participant or Indirect Participant or any other person, other than a registered owner as shown in the bond register kept by the Trustee, of any amount with respect to the principal of, premium, if any, or interest on, any Series 2021 Bonds; or
- any consent given by DTC or its nominee as registered owner.

Prior to any discontinuation of the book entry only system hereinabove described, the Board and the Trustee may treat Cede & Co. (or such other nominee of DTC) as, and deem Cede & Co. (or such other nominee) to be, the absolute registered owner of the Series 2021 Bonds for all purposes whatsoever, including, without limitation:

- the payment of principal, premium, if any, and interest on the Series 2021 Bonds;
- giving notices of redemption and other matters with respect to the Series 2021 Bonds;
- registering transfers with respect to the Series 2021 Bonds; and
- the selection of Series 2021 Bonds for redemption.

### **General**

None of Euroclear, Clearstream Banking or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Board, the Underwriters nor any of their agents will have any responsibility for the performance by Euroclear, Clearstream Banking or DTC or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

**APPENDIX H**

**PROJECTS FINANCED AND BONDS REFUNDED WITH SERIES 2021 BONDS**

**New Money and Bond Anticipation Note Projects to be Funded by Series 2021A Bonds**

| <i>Campus, Project</i>  | <i>Allocation of<br/>Principal of Series<br/>2021A Bonds</i> |
|---|--|
| Long Beach Housing Expansion Phase 1 –Administration and Commons Building Project | \$16,325,000   |
| Long Beach Hillside Los Alamitos and Los Cerritos Renovation Project              | 27,200,000   |
| San Luis Obispo – Cal Poly Corporation Dining Complex Renovation Project          | 13,420,000   |
| San Luis Obispo Housing Renovation Projects                                       | 16,265,000   |
| Monterey Bay – University Corporation at Monterey Bay Capital Improvement Project | 14,325,000   |
| SUBTOTAL  | <hr/> \$87,535,000   |

**New Money and Bond Anticipation Note Projects to be Funded by Series 2021B (Taxable) Bonds**

| <i>Campus, Project</i>   | <i>Allocation of<br/>Principal of Series<br/>2021B Bonds</i> |
|--|--|
| CSU Academic Capital Outlay  | \$698,455,000  |
| San Diego State University Mission Valley Real Property Acquisition and Site Development | 60,215,000   |
| San Luis Obispo Housing Renovation Projects  | 21,080,000   |
| San José State University Spartan Athletics Center                                       | 42,470,000   |
| SUBTOTAL   | <hr/> \$822,220,000  |

The final payment dates of the Bonds to be Refunded will be the designated redemption dates as shown in the table below. See “PLAN OF FINANCE – Refunding Plan” in the forepart of this Official Statement and Remarketing Memorandum.

**State Public Works Board Bonds to Be Refunded by Series 2021A Bonds**

| <i>Series</i>   | <i>Principal to be Refunded</i> | <i>Redemption Date</i> | <i>Redemption Price</i> | <i>CUSIP* (Base)</i> |
|---|---------------------------------|------------------------|-------------------------|----------------------|
| Lease Revenue Bonds (Trustees of the California State University) 2010 Series B, Subseries B-1 (Various California State University Projects) | \$40,545,000                    | September 1, 2021      | 100%                    | 130685               |

**Systemwide Revenue Bonds to Be Refunded by Series 2021B Bonds**

| <i>Series</i>                          | <i>Principal to be Refunded</i> | <i>Redemption Date</i> | <i>Redemption Price</i> | <i>CUSIP* (Base)</i> |
|--|---------------------------------|------------------------|-------------------------|----------------------|
| Systemwide Revenue Bonds, Series 2013A | \$86,515,000                    | November 1, 2023       | 100%                    | 13077C               |
| Systemwide Revenue Bonds, Series 2014A | \$641,470,000                   | November 1, 2024       | 100%                    | 13077C               |

\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2021 CUSIP Global Services. All rights reserved. CUSIP® data herein are provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Board, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.



**APPENDIX I**  
**LETTERS FROM UNDERWRITERS**

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June 25, 2021

Mr. Blake Fowler, Director  
Office of the Treasurer of the State of California  
Public Finance Division  
915 Capitol Mall, Room 261  
Sacramento, CA 95814

CC: Ms. Rosa Renaud, Director  
California State University – Financing and Treasury  
401 Golden Shore, 5<sup>th</sup> Floor  
Long Beach, CA 90802

Re: Trustees of the California State University  
Systemwide Revenue Bonds, Series 2021A and Series 2021B (Taxable)

Dear Sir:

Academy Securities, Inc., a Co-Senior Managing underwriter on the upcoming Trustees of the California State University Systemwide Revenue Bonds, Series 2021A and Series 2021B (Taxable) transaction, intends to enter into a Third Party Distribution Agreement with TD Ameritrade Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to this Third Party Distribution Agreement (if applicable for this transaction), Academy Securities, Inc. may share a portion of its underwriting compensation with this firm.

**ACADEMY SECURITIES, INC.**

June 15, 2021

State of California  
Office of the State Treasurer  
915 Capitol Mall, Room 261  
Sacramento, CA 95814

Attn: Blake Fowler

Re: Trustees of the California State University,  
Systemwide Revenue Bonds, Series 2021AB, (the "Bonds")

Dear Mr. Fowler:

BofA Securities, Inc. is providing the following language for inclusion in the Official Statement:

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Sincerely,

BofA Securities, Inc.



June 22, 2021

Blake Fowler  
Director, Public Finance  
Office of the Treasurer of the State of California  
915 Capitol Mall, Room 110  
Sacramento, CA 95814

RE: Trustees of the California State University Systemwide Revenue Bonds  
Series 2021A and Series 2021B (Taxable) (the "Bonds")

Dear Mr. Fowler:

Citigroup Global Markets Inc. is providing the following language for inclusion in the Offering Statement.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

*Citigroup Global Markets Inc.*

CC: Rosa Renaud  
Director, Long Term Finance  
California State University  
401 Golden Shore, 5<sup>th</sup> Floor  
Long Beach, CA 90802

# Jefferies

June 22, 2021

Mr. Blake Fowler  
Director, Public Finance Division  
Office of the Treasurer of the State of California  
915 Capitol Mall, Room 261  
Sacramento, California 95814

Re: Trustees of the California State University Systemwide Revenue Bonds,  
Series 2021A, Series 2021B (Taxable), and Remarketing of Series 2016B-2 (the "Bonds")

Dear Mr. Fowler:

Jefferies LLC is providing the following language for inclusion in the Official Statement.

Jefferies LLC has entered into a distribution agreement with 280 Securities LLC for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies LLC sells the Bonds to 280 Securities, it will share a portion of its selling concession compensation with 280 Securities.

Jefferies LLC

# J.P.Morgan

June 8, 2021

Blake Fowler  
Director  
Office of the Treasurer Public Finance Division  
915 Capitol Mall  
Sacramento, California 95814

Re: Trustees of The California State University, Systemwide Revenue Bonds, Series 2021A, Series 2021B (Taxable), and Series 2016B-2

Dear Mr. Fowler:

J.P. Morgan Securities LLC ("JPMS") has entered into a negotiated dealer agreement with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings to the retail customers of CS&Co. at the original issue prices. Subject to your consent, JPMS would like to invite CS&Co. to participate in the above captioned upcoming offering. As compensation to CS&Co., JPMS will share a portion of the selling concession with CS&Co.

If you consent, please note that we would include the below language in the "Underwriting" section of the POS and the OS:

*J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.*

**J.P. MORGAN SECURITIES LLC**

cc:  
Rosa Renaud, *California State University*

# Morgan Stanley

June 23, 2021

Mr. Blake Fowler  
Director, Public Finance Division  
Office of the Treasurer of the State of California  
915 Capitol Mall, Room 261  
Sacramento, CA 95814

Re: Trustees of the California State University  
Systemwide Revenue Bonds, Series 2021A and Series 2021B (Taxable)

Dear Mr. Fowler:

Morgan Stanley & Co. LLC is providing the following language for inclusion in the Official Statement:

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Morgan Stanley & Co. LLC

Cc: Rosa Renaud, California State University



June 10, 2021



Mr. Blake Fowler  
Director of Public Finance  
Office of the Treasurer of the State of California  
Public Finance Division  
915 Capital Mall, Room 261  
Sacramento, CA 95814

**RE: TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY SYSTEMWIDE REVENUE BONDS, SERIES 2021A AND SERIES 2021B (TAXABLE)**

Dear Mr. Fowler,

Piper Sandler & Co. is providing the following language for inclusion in the Official Statement.

Piper Sandler & Co. and UnionBanc Investment Securities LLC (“UnionBanc”) entered into an agreement (the “Agreement”) which enables UnionBanc to distribute certain new issue municipal securities underwritten by or allocated to Piper Sandler & Co., including the Trustees of the California State University Systemwide Revenue Bonds, Series 2021A and Series 2021B (Taxable) (the “Bonds”). Under the Agreement, Piper Sandler & Co. will share with UnionBanc a portion of the fee or commission paid to Piper Sandler & Co.

Sincerely,

Piper Sandler & Co.



June 15, 2021

Mr. Blake Fowler  
Director, Public Finance Division  
Office of the Treasurer of the State of California  
915 Capitol Mall  
Sacramento, CA 95814

Re: Trustees of the California State University  
Systemwide Revenue Bonds, Series 2021A, Series 2021B and Series 2016B-2

Dear Mr. Fowler,

UBS Financial Services Inc. ("UBS FSI") has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings. UBS FSI would like to utilize this agreement in connection with the offering and sale of the Trustees of the California State University Systemwide Revenue Bonds, Series 2021A, 2021B (Taxable) and 2016B-2 (the "Bonds"). If utilized, UBS FSI would share a portion of its underwriting compensation with respect to the Bonds with UBS Securities. If you consent to the use of this agreement in connection with the above referenced transaction, UBS FSI requests that the language below be included in the Official Statement. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

UBS Financial Services Inc. is providing the following language for inclusion in the Official Statement.

UBS Financial Services Inc. ("UBS FSI") has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

UBS Financial Services Inc.

CC: Rosa Renaud, Director of Long-Term Finance  
The California State University  
401 Golden Shore  
Long Beach, CA 90802



June 10, 2021

Mr. Blake Fowler  
Director, Public Finance Division  
Office of the Treasurer of the State of California  
915 Capitol Mall  
Sacramento, CA 95814

Re: Trustees of the California State University Systemwide Revenue Bonds  
Series 2021A and Series 2021B (Taxable)

Dear Mr. Fowler:

Wells Fargo Securities is providing the following language for inclusion in the Official Statement.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), and one of the underwriters of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association

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**APPENDIX J**

**PRINCIPAL PAYDOWN FACTOR TABLE**

**PRO-RATA PASS-THROUGH DISTRIBUTION OF PRINCIPAL**

**\$144,940,000 Series 2021B Term Bond Due November 1, 2041**

| Principal Paydown Date | Mandatory Sinking Account Payments <sup>†</sup> | Paydown Amounts per \$1,000 | Remaining Balance per \$1,000 | Paydown Factor | Remaining Bond Factor |
|------------------------|---|-----------------------------|-------------------------------|----------------|-----------------------|
| 11/1/2039              | \$46,970,000                                    | \$324.07                    | \$675.93                      | 0.32406513     | 0.67593487            |
| 11/1/2040              | 48,300,000                                      | 333.24                      | 342.69                        | 0.33324134     | 0.34269353            |
| 11/1/2041              | 49,670,000                                      | 342.69                      | 0.00                          | 0.34269353     | 0.00000000            |

**\$78,305,000 Series 2021B Term Bond Due November 1, 2044**

| Principal Paydown Date | Mandatory Sinking Account Payments <sup>†</sup> | Paydown Amounts per \$1,000 | Remaining Balance per \$1,000 | Paydown Factor | Remaining Bond Factor |
|------------------------|---|-----------------------------|-------------------------------|----------------|-----------------------|
| 11/1/2040              | \$15,180,000                                    | \$193.86                    | \$806.14                      | 0.19385735     | 0.80614265            |
| 11/1/2041              | 15,610,000                                      | 199.35                      | 606.79                        | 0.19934870     | 0.60679395            |
| 11/1/2042              | 16,050,000                                      | 204.96                      | 401.83                        | 0.20496775     | 0.40182619            |
| 11/1/2043              | 16,530,000                                      | 211.10                      | 190.73                        | 0.21109763     | 0.19072856            |
| 11/1/2044              | 14,935,000                                      | 190.73                      | 0.00                          | 0.19072856     | 0.00000000            |

**\$325,450,000 Series 2021B Term Bond Due November 1, 2052 bearing interest at a rate of 2.939%**

| Principal Paydown Date | Mandatory Sinking Account Payments <sup>†</sup> | Paydown Amounts per \$1,000 | Remaining Balance per \$1,000 | Paydown Factor | Remaining Bond Factor |
|------------------------|---|-----------------------------|-------------------------------|----------------|-----------------------|
| 11/1/2042              | \$25,430,000                                    | \$ 78.14                    | \$921.86                      | 0.07813796     | 0.92186204            |
| 11/1/2043              | 26,180,000                                      | 80.44                       | 841.42                        | 0.08044246     | 0.84141957            |
| 11/1/2044              | 26,970,000                                      | 82.87                       | 758.55                        | 0.08286987     | 0.75854970            |
| 11/1/2045              | 27,775,000                                      | 85.34                       | 673.21                        | 0.08534337     | 0.67320633            |
| 11/1/2046              | 28,610,000                                      | 87.91                       | 585.30                        | 0.08790905     | 0.58529728            |
| 11/1/2047              | 29,455,000                                      | 90.51                       | 494.79                        | 0.09050545     | 0.49479183            |
| 11/1/2048              | 30,340,000                                      | 93.22                       | 401.57                        | 0.09322477     | 0.40156706            |
| 11/1/2049              | 31,240,000                                      | 95.99                       | 305.58                        | 0.09599017     | 0.30557689            |
| 11/1/2050              | 32,180,000                                      | 98.88                       | 206.70                        | 0.09887848     | 0.20669842            |
| 11/1/2051              | 33,140,000                                      | 101.83                      | 104.87                        | 0.10182824     | 0.10487018            |
| 11/1/2052              | 34,130,000                                      | 104.87                      | 0.00                          | 0.10487018     | 0.00000000            |

<sup>†</sup> Table provided for illustrative purposes only and is subject to adjustment without notice in the event of certain optional redemptions or purchases of Series 2021B Bonds, and as may be necessary to comply with the operational arrangements of DTC (or any successor securities depository) in effect on the date of any redemption related to such Mandatory Sinking Account Payments. No assurance can be given that DTC (or any successor securities depository) will allocate any such redemption of the Series 2021B Bonds on such basis. See “THE OFFERED BONDS – Redemption – Series 2021 Bonds – Selection of Series 2021B Bonds for Redemption” and “—Applicability of DTC Procedures.”

**\$324,460,000 Series 2021B Term Bond Due November 1, 2052 bearing interest at a rate of 2.719%**

| <u>Principal<br/>Paydown Date</u> | <u>Mandatory Sinking<br/>Account Payments<sup>†</sup></u> | <u>Paydown Amounts<br/>per \$1,000</u> | <u>Remaining Balance<br/>per \$1,000</u> | <u>Paydown Factor</u> | <u>Remaining<br/>Bond Factor</u> |
|-----------------------------------|---|--|--|-----------------------|----------------------------------|
| 11/1/2042                         | \$25,655,000  | \$ 79.07                               | \$920.93                                 | 0.07906984            | 0.92093016                       |
| 11/1/2043                         | 26,365,000  | 81.26                                  | 839.67                                   | 0.08125809            | 0.83967207                       |
| 11/1/2044                         | 27,090,000  | 83.49                                  | 756.18                                   | 0.08349257            | 0.75617950                       |
| 11/1/2045                         | 27,835,000  | 85.79                                  | 670.39                                   | 0.08578870            | 0.67039080                       |
| 11/1/2046                         | 28,600,000  | 88.15                                  | 582.24                                   | 0.08814646            | 0.58224434                       |
| 11/1/2047                         | 29,390,000  | 90.58                                  | 491.66                                   | 0.09058127            | 0.49166307                       |
| 11/1/2048                         | 30,195,000  | 93.06                                  | 398.60                                   | 0.09306232            | 0.39860075                       |
| 11/1/2049                         | 31,030,000  | 95.64                                  | 302.96                                   | 0.09563583            | 0.30296493                       |
| 11/1/2050                         | 31,880,000  | 98.25                                  | 204.71                                   | 0.09825556            | 0.20470936                       |
| 11/1/2051                         | 32,760,000  | 100.97                                 | 103.74                                   | 0.10096776            | 0.10374160                       |
| 11/1/2052                         | 33,660,000  | 103.74                                 | 0.00                                     | 0.10374160            | 0.00000000                       |

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<sup>†</sup> Table provided for illustrative purposes only and is subject to adjustment without notice in the event of certain optional redemptions or purchases of Series 2021B Bonds, and as may be necessary to comply with the operational arrangements of DTC (or any successor securities depository) in effect on the date of any redemption related to such Mandatory Sinking Account Payments. No assurance can be given that DTC (or any successor securities depository) will allocate any such redemption of the Series 2021B Bonds on such basis. See “THE OFFERED BONDS – Redemption – Series 2021 Bonds – Selection of Series 2021B Bonds for Redemption” and “—Applicability of DTC Procedures.”



