

MINUTES OF MEETING OF CSU INSTITUTE BOARD

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

June 17, 2016
11:14 a.m. – 11:34 a.m.

Board Directors Present

1. Timothy White, Chairman
2. Steve Relyea, Treasurer
3. Loren Blanchard, Secretary
4. Garrett Ashley, Director
5. Lori Lamb, Director

Staff Present

1. Mary Ek, Assistant Vice Chancellor/Controller, Financial Services
2. Syrus En, Director, Short Term and Structured Finance
3. Kelly Cox, Associate Director, Financial Services Accounting
4. Alice Kim, Accounting Manager

Robert Eaton, Assistant Vice Chancellor, Financing, Treasury and Risk Management (Absent)

Chair White called the meeting to order at 11:14 a.m.

Minutes were taken by staff (Syrus En).

Approval of the Institute Board minutes of January 14, 2016 (action item)

Chair White asked for a motion to approve the minutes from the Institute Board meeting on January 14, 2016. Director Ashley moved and Treasurer Relyea seconded the motion. The motion was approved unanimously.

Approval of the California State University Institute FY 2016-17 Budget (action item)

Syrus En began the presentation by providing the Board with a basic framework of how the commercial paper program works. En noted that the General Fund plays a peripheral role in the program compared to the All Campus Projects segment, which provides bridge financing for campus and auxiliary projects until the permanent bonds are issued. Under the All Campus Projects segment, there is a direct correlation between the recovery revenue and the associated costs on a dollar-for-dollar basis. The Equipment segment provides loans to campuses to finance IT related products at a current rate of 1.50%, which resets to the same rate for FY 2016-17.

En highlighted the year-over-year changes projected for FY 2016-17, including four key areas. Firstly, a projected \$1.1 million increase in program cost recovery revenue, directly correlating with program costs as a result of having more new projects (up to 9) needing commercial paper financing (approximately \$204 million) in FY 2016-17 versus just 1 project for FY 2015-16. Secondly, a projected \$1.3 million increase in BAN interest recovery revenue from FY 2015-16,

directly correlating with increase in interest expense, based on increase in commercial paper financing (\$204 million balance) for new projects. Thirdly, a projected \$33,400 decrease in equipment financing interest revenue, based on lower loan balance. Finally, a projected \$800,000 decrease in expenditures for CP letter of credit fees and other program costs in FY 2016-17 for the Equipment segment, based on higher than budgeted expenses paid by the Equipment segment instead of the All Campus segment, because there were little to no new projects available to pay for such expenses in FY 2015-16.

Chair White asked what type of IT equipment is being financed through the Equipment segment and if campuses are seeking alternative financing outside of the CP equipment program. En noted that the CP equipment program finances software, laptop computers and other IT related products, and that campuses prefer to finance through the CSU vendor equipment financing at a fixed rate instead of the CSU CP equipment program, which is based on an adjustable rate and would require campuses to pay for costs upfront and seek reimbursement thereafter through CP financing. Chair White then asked if it was fair to have the Equipment segment cover program costs for the All Campus segment, to which En explained that the Equipment reserve is available to pay for costs incurred by other segment, including the All Campus Projects.

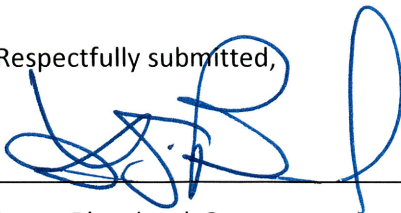
Chair White asked for a motion to approve the budget. Director Ashely moved and Secretary Blanchard seconded the motion. The motion was approved unanimously.

Presentation of an update of the Institute's commercial paper program (information item)

En presented a brief update by stating the current outstanding balance of slightly under \$5 million at an average rate of 0.45%, with a \$1.7 million net increase in the CP portfolio since the last meeting in January 2016. Going forward, the CP pipeline is projected to increase by \$200 million based on 9 new projects requiring CP financing through the first-half of FY 2016-17, with CP capacity available to fund up to \$200 million for campus projects and up to \$100 million for deferred maintenance and infrastructure improvement capital outlay projects.

Chair White asked what type of financings will be used to fund deferred maintenance and infrastructure improvement projects and whether there is sufficient capacity. En noted that there is sufficient CP capacity (up to \$100 million), and that the expectation is to use CP financing primarily for a few high-priority projects, and finance the remaining projects through Systemwide Revenue Bonds (expected in Spring 2017). En also added that if CP capacity reaches its maximum limit, then the timing of the bond sale can be accelerated. Chair White asked if there is adequate staff support to manage increasing CP activities in the coming months. En assured the Board that despite the Institute being short on staff, he is well prepared to handle the tasks associated with the new CP issuances until the open position is filled. Treasurer Relyea informed Chair White that he's had prior discussions with Robert Eaton about increasing existing CSU financing staff (currently about one-tenth the size of the UC) to address Finance Committee Chair Peter Taylor's plan of implementing new debt programs, including Century Bonds and variable rate debt.

Chair White adjourned the meeting at 11:24 a.m.

Respectfully submitted,

Loren Blanchard, Secretary

8/8/2016
Date