

## AGENDA

### COMMITTEE ON FINANCE

**Meeting: 8:00 a.m., Wednesday, May 14, 2008**  
**Glenn S. Dumke Auditorium**

William Hauck, Chair  
Glen O. Toney, Vice Chair  
Herbert L. Carter  
Kenneth Fong  
Melinda Guzman  
Raymond W. Holdsworth  
A. Robert Linscheid  
Jennifer Reimer

#### **Consent Item**

Approval of Minutes of Meeting of March 12, 2008

#### **Discussion Items**

1. Report on the 2008-2009 California State University Support Budget, *Information*
2. Proposed Resolution Stabilizing Student Fees, *Action*
3. State University Fee Increase, *Action*
4. Revisions to the California State University Student Fee Policy, *Action*
5. Conceptual Approval of a Public/Public Partnership Project at San José State University with the City of San José for a Joint Use Sports Field Complex on Trustee Property, *Action*
6. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects, *Action*
7. Approval to Increase the Authorized Amount of the California State University's Commercial Paper Program from \$250 Million to \$500 Million, *Action*

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

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

**March 12, 2008**

**Members Present**

William Hauck, Chair  
Roberta Achtenberg, Chair of the Board  
Herbert L. Carter  
Kenneth Fong  
Raymond W. Holdsworth  
A. Robert Linscheid  
Charles B. Reed, Chancellor  
Jennifer Reimer

**Approval of Minutes**

The minutes of January 23, 2008 were approved.

**Report on the 2008-2009 California State University Support Budget**

Trustee Hauck introduced Mr. Richard P. West, executive vice chancellor and chief financial officer, and said he would present the item.

Mr. West provided a detailed slide presentation on the current status of the state budget and noted that copies of the slide presentation had been provided to the board members. Mr. West acknowledged that much of the information contained in this report was a recap of information previously presented to the board.

Points of interest included in report were:

The governor's budget findings and recommendations include:

A 10-percent across-the-board reduction in state spending, which for CSU equals a \$312.9 million reduction in state funding support. (The governor's budget is not specific with regard to where the cuts are to be made.); a \$73.2 million net fee revenue increase from a \$276/undergraduate student fee increase, an almost \$14.5 billion budget deficit; and no new state taxes.

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Unlike the governor's budget which contained undesignated cuts, the LAO's budget was more specific and makes recommendations to the legislature about where CSU should reduce its budget. It predicts a \$16 billion budget deficit; funds enrollment growth at 1.6% if CSU continues to enroll 10,000 FTES over-enrollment, projected for 2007-2008 without funding to cover costs, and recommends a \$43 million reduction in administrative costs (institutional support).

Mr. West observed that overall the two budgets (governor's and LAO) contained basically the same total revenue recommendations, but suggest quite different uses for some of that revenue.

Mr. West called to mind the CSU is still recovering from massive budget cuts incurred during the 2002-2005 period. While there have been three years of relative growth since then, current revenue still does not make up for the kind of reductions suffered during that period.

A discussion took place regarding various plans and strategies for dealing with the cuts for the coming year. Mr. West noted that meetings are held regularly with students and labor groups to determine our communication strategy. He informed the committee about the campus budget forums being scheduled at each campus between March 3 and April 2, 2008, and about the CSU Alumni Legislative Day to be held in Sacramento on April 28, 2008, as well as other efforts under way to get the message out about the budget.

The three key messages central to all these efforts are:

- The proposed budget will not allow the CSU to serve all qualified students and reduces access to college;
- Long-term prospects of increasing college going rates of underserved communities will be negatively impacted just as we are making genuine progress; and
- Less access to the CSU will impact industries and the state's economy given our role in preparing the state's workforce.

Mr. West concluded noting that formal budget hearings would begin in a few days and that it is unlikely any major decisions on the CSU budget will occur before the Governor releases his revision to the state budget in May.

### **Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds for Various Auxiliary Refinancings**

Trustee Hauck asked Ms. Colleen Nickles, assistant vice chancellor, financial services, to present the item.

Ms. Nickles explained that the item requested the trustees to approve \$28,515,000 in systemwide revenue bonds (SRB) for the refinancing of existing auxiliary projects at the San Diego and Northridge campuses. The university is expected to go to market with its revenue bond issuance on March 18 & 19. Ms. Nickles observed that the municipal bond market has been volatile in

the past several months and assured the committee that her office will continue to monitor and evaluate the economics of these refinancings up until the time of the sale.

Ms. Nickles then provided details on the two auxiliary financings as outlined in the written agenda item. She also gave a brief update on CSU's bond ratings from the two agencies utilized by the university, (Moody's Investors Services and Standard and Poor's). Both agencies have rated CSU favorably and have prepared reports that acknowledge CSU's continued progress in the bond arena.

The committee recommended approval of the proposed resolution (RFIN 03-08-02).

### **Status Report on Auxiliary Organizations**

Trustee Hauck introduced the item noting it contained important information, particularly for new board members, regarding the importance of auxiliary organizations to the overall existence of the CSU. He then asked Ms. Colleen Nickles to present the report.

Ms. Nickles began by giving a short history of the evolution of auxiliary organizations within the CSU. With the aid of a comprehensive slide presentation, Ms. Nickles proceeded to inform the committee on the evolution of auxiliaries within the system.

She referred to an attachment provided with the agenda entitled, "*Separate but Related: Auxiliary Organizations Supporting the California State University*", as well as a listing of the 90 auxiliary organizations, as tools that would assist in understanding the scope of the auxiliaries' influence within the university.

Ms. Nickles pointed out that auxiliary organizations have participated in the Systemwide Revenue Bond (SRB) program since 2003, resulting in the issuance of \$416 million of SRB debt for auxiliary projects, and a savings of approximately \$13.6 million from the refinancing of auxiliary projects into the SRB.

Trustee Hauck inquired how the \$13.16 million savings was derived. Ms. Nickles explained it was calculated on a net present value basis combined with the strength of the SRB program, and the size of the CSU. As a result, these factors have contributed to improved debt service ultimately resulting in better interest rates.

Chancellor Reed recalled the chaotic state of the auxiliaries when he arrived at the CSU over 10 years ago and the long and arduous road toward achievement of their transformation as cohesive and essential components of the university. He thanked Richard West, Dennis Hordyk, Colleen Nickles and others in the campus community for their outstanding contributions in this area.

Trustee Hauck congratulated Ms. Nickles on the great report and concluded the meeting.

## **COMMITTEE ON FINANCE**

### **Report on the 2008-2009 California State University Support Budget**

#### **Presented by**

Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer

#### **Summary**

The 2008-09 CSU budget is currently being reviewed by the respective budget subcommittees in the Senate and Assembly. While policymakers are giving each issue in the CSU budget and budget recommendations by the Legislative Analyst Office (LAO) a thorough review, no specific actions are being taken until after the Governor submits his May Revision to the budget. The Board will be provided an update of the state's overall fiscal condition and the prognosis on specific issues that are before the Governor and the legislature pertaining to the 2008-09 budget.

#### **2008-09 CSU Support Budget**

At the March meeting, the Board was informed that the Governor called for a 10-percent across-the-board reduction in state spending, which for CSU equals a \$312.9 million reduction in state funding support. The Board also was informed that the Legislative Analyst proposed an alternative budget that contained approximately the same amount of reduction for the CSU as the Governor's budget. Both proposals assume a \$276 increase in undergraduate student fee rates and an equivalent percentage increase in fee rates for graduate and teacher credential students.

The Board of Trustees has a long-standing commitment to the policy goals of the Master Plan: access and quality, achieved through the preservation of low fees (affordability). The Board has operated under several guiding principles regarding student fees, which include: 1) it is the state's responsibility to determine how many students may study at CSU by the level of support it provides; 2) fee revenues should be used to improve and support the quality of the educational programs; 3) there is a differential cost in providing graduate and undergraduate education; 4) adjustments in student fee levels should be predictable and reasonable and allow for students and their families to plan for university attendance; and 5) a diverse program of financial aid should be available for students with demonstrated need, including the use of 25-33.3% of any new fee income for State University Grants.

The Board reaffirmed its intent to seek restoration of the budget cuts proposed in the Governor's and Legislative Analyst's recommendations and to request that \$73 million be provided to

eliminate student fee rate increases during legislative budget hearings. Joint advocacy efforts by CSU administration, employee bargaining units, student representatives, presidents and campus alumni occurred over the past several months and are planned throughout the legislative budget process to convince the state to reinvest in public higher education.

Both the Governor and the Legislative Analyst has raised serious concerns regarding the state's structural deficit that is approaching \$20 billion and the need to reduce spending and look at additional fiscal resources to address the budget gap. The two budget proposals currently under consideration for the CSU – recommended by the Governor and the Legislative Analyst – call for reducing the base level of State budget support to CSU and increasing student fees.

### **Conclusion**

As a result of the state's fiscal uncertainty the legislature is delaying any specific action on the CSU budget until after they receive an update of state revenues and expenditures as part of the Governor's May Revision to the budget. The Board will be presented with an update of the state's fiscal condition and issues specific to the 2008-09 CSU budget.

## COMMITTEE ON FINANCE

### Proposed Resolution Stabilizing Student Fees

#### Presentation By

John Garamendi  
Lieutenant Governor

#### Summary

Lieutenant Governor John Garamendi has submitted a resolution for consideration by the Board of Trustees. The objective of his resolution is to cap student fee levels and restrict future fee increases to the rate of inflation.

#### Proposed Resolution

**WHEREAS**, California's students should not bear the financial burden of the state's past under-investment in public higher education; and

**WHEREAS**, California's undergraduate fees at the California State University have increased by 94% since 2002 while graduate student fees have more than doubled, causing students to struggle to continue their education and forcing many to work longer hours or go deeper into debt to finance their degrees; and

**WHEREAS**, The level of student debt carried by California students has increased by 60% over the last decade (*EDFund, Trends in Student Aid, 2006*); and

**WHEREAS**, Low-income and underrepresented students tend to incur the heaviest debt burdens (*California Postsecondary Education Commission, Keeping College Affordable in California, 2006*); and

**WHEREAS**, Higher tuition rates have the potential to close the door of opportunity, especially for low-income and underrepresented students. Financial barriers deterred as many as 1.6 million U.S. students from attending a four-year university during the 1990s, and will likely prevent another 2.4 million students from earning their bachelor's degree this decade (*Advisory Committee on Student Financial Assistance draft report, Mortgaging our Future; How Financial Barriers to College Undercut America's Global Competitiveness, 2006*); and,

**WHEREAS**, In addition to the personal benefits that students gain from educational attainment, each state dollar invested in public higher education is returned to the state three times over in the form of higher tax revenues and decreased demand for social services; (*Survey Research Center, UC Berkeley, 2005*); and

**WHEREAS**, California's need for a highly educated workforce will become ever more acute in the coming years, as newly created jobs increasingly demand training in health, technology, and professional services;

**NOW, THEREFORE, BE RESOLVED THAT:**

1. The California State University will stabilize student fees by capping fees and by limiting future student fee increases to the rate of inflation; and
2. The Trustees and the University representatives will keep the Legislature and the Governor apprised of the state budget resources required to adequately fund the University; and
3. Where appropriate, the University will seek savings from administrative efficiencies to reduce the cost to the state of adequately funding the University.



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**COMMITTEE ON FINANCE**

**State University Fee Increase**

**Presentation By**

Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer

**Summary**

For 2008-09, the Governor's Budget and the Legislative Analyst's Budget alternative assume for the California State University a \$276 increase in undergraduate student fee rates and an equivalent percentage increase in fee rates for graduate and teacher credential students. Revenue from these rate increases would equal roughly \$110 million. Both budget proposals use this revenue to offset reductions in state General Fund support to CSU. Both proposals assume financial aid grant support will be provided to eliminate the impact of the fee rate increases for students with the most need.

Fee action by the Board is required at this time in order to set fee rates affecting financial aid award packages for the 2008-09 academic year. Student fee rates are needed to determine eligibility for federal, state and CSU financial aid, and deadlines for receiving these funds necessitate action in May for fee rate increases to be incorporated in student award decisions and financing options. Students enrolling in the fall 2008 term also need to know within a fairly reasonable timeframe what fee rates will be in order to appropriately plan for college year costs. Fee action was postponed from the March board meeting pending advocacy efforts for budget restoration during the spring legislative budget process. May action on student fee rates should not be delayed any further if complications for student financial aid and student financial planning are to be avoided.

The board has the authority to establish, adjust, and abolish systemwide fees. Undergraduate fees were raised \$252 in 2007-08; there was no increase in 2006-07. Increasing State University Fee rates for the 2008-09 academic year by \$276 for undergraduate students, \$324 for teacher credential students and \$342 for graduate students, is projected to increase student fee revenue by \$110 million. The university will set aside one-third of this revenue, \$36 million, to increase funding support for CSU State University Grants to cover the fee rate increase for students with need. This pool is administered centrally and is allocated to campuses based on student need.

Assuming a 2008-09 undergraduate fee rate of \$3,048 and including the \$749 average campus-based fees students currently pay, the total undergraduate academic year fee of \$3,797 would

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continue to be lower than the lowest CSU public comparison institution and significantly less than the average fee of all the California State University public comparison institutions for 2007-08. Comparison institution fee data for 2008-09 is not currently available.

<b>2007/08 CSU Comparison Institution</b>			
<b>Academic year Resident Undergraduate, Student Fee Levels</b>			
	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
Rutgers University (Newark, NJ)	\$ 9,994	\$ 10,357	
Illinois State University (Normal, IL)	\$ 8,072	\$ 9,020	
University of Connecticut (Storrs, CT)	\$ 8,660	\$ 8,852	
University of Maryland, Baltimore County	\$ 8,622	\$ 8,708	
Wayne State University (Detroit, MI)	\$ 7,300	\$ 8,644	
Cleveland State University	\$ 7,920	\$ 7,920	
University of Wisconsin at Milwaukee	\$ 7,392	\$ 7,724	
University of Texas at Arlington	\$ 6,400	\$ 7,194	
<b>Comparison Average<sup>1</sup></b>	<b>\$ 6,665</b>	<b>\$ 7,122</b>	
George Mason University (Fairfax, VA)	\$ 6,408	\$ 6,840	
State University of New York at Albany	\$ 5,938	\$ 6,018	
University of Colorado at Denver	\$ 5,300	\$ 5,863	
Georgia State University at Atlanta	\$ 4,818	\$ 5,422	
Arizona State University at Tempe	\$ 4,690	\$ 5,122	
North Carolina State University	\$ 4,781	\$ 5,117	
University of Nevada at Reno	\$ 3,684	\$ 4,029	
<b>California State University</b>	<b>\$ 3,199</b>	<b>\$ 3,521</b>	<b>\$ 3,797</b>
<sup>1</sup> Comparison Average Does Not Include CSU			

The Education Doctorate program fee rate approved by the Board at the November 2006 meeting, which by law is linked to the University of California graduate student fee rate, is not affected by this action.

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**2008-09 State University Fee Level**

**RESOLVED**, By the Board of Trustees of the California State University, that the following academic year schedule of the State University Fee is approved effective fall term 2008 and until further amended:

**State University Fees**

<u>Units Per Term</u>	<u>Undergraduate</u>	<u>Credential Program Participants</u>	<u>Graduate and Other Post-Bac Students</u>
6.1 or more	\$3,048	\$3,540	\$3,756
0 to 6.0	\$1,770	\$2,052	\$2,178

The fees provided in the above table are for an Academic Year. The applicable Per Term fee schedules consistent with these Academic Year fees for campuses on the semester, quarter and other calendars, for regular students (6.1 units or more per term) and part time students (up to 6.0 units per term), and for the academic year and summer terms are provided on the Budget Office website:

[http://www.calstate.edu/budget/FeeEnrll\\_Info/FeeInfo/Campus\\_Mand\\_Fees/Fee\\_Schedules.shtml](http://www.calstate.edu/budget/FeeEnrll_Info/FeeInfo/Campus_Mand_Fees/Fee_Schedules.shtml)

And, be it further

**RESOLVED**, That the chancellor may approve individual campus State University Fee rates that do not exceed the maximum fee rates established by this fee schedule, and be it further

**RESOLVED**, That the chancellor is delegated authority to further adopt, amend, or repeal the State University Fee rate increase if such action is required by the budget act approved for 2008-09, and that such changes made by the chancellor are communicated promptly to the trustees.

## **COMMITTEE ON FINANCE**

### **Revisions to the California State University Student Fee Policy**

#### **Presentation By**

Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer

#### **Background**

In March 2000 the Trustees approved “The California State University Student Fee Policy” that outlines the way the CSU and each of its campuses establishes, adjusts and oversees all systemwide and campus-based fees. This Student Fee Policy provides definitions, authority, responsibility and accountability for the chancellor and campus presidents as it relates to the specific processes and guidelines that must be followed regarding systemwide and campus-based fees.

Over the last year, Chancellor’s Office staff members have worked with campus and student representatives to revise the guidelines to more clearly define the process to establish or adjust campus-based fees including more transparency and accountability. A working group was formed to review the current policy, address the concerns of various campus constituencies and develop a revised policy and guidelines to be adopted by the Board. Attachment A of this document presents the proposed changes.

#### **Current Student Fee Policy**

The current CSU Student Fee Policy adopted by the Board in March 2000 (RFIN 03-04-00) and implemented by the Chancellor in April 2000 (Executive Order 740) gives campuses guidance regarding the establishment and adjustment of campus-based fees and defines fees by category.

#### Definitions

Fees have been grouped into four categories: mandatory fees (Category I), non-resident tuition (Category II), materials, services and facilities fees (Category III) and fines, deposits and penalties (Category IV). For each category, specific authority and responsibility is outlined.

#### Authority and Process

The following delegation of authority is the current policy: the Board of Trustees retains the authority to establish, adjust or abolish all systemwide fees; the Chancellor has authority to establish, adjust or abolish campus-based fees; and presidents have the authority to adjust or

abolish campus-based fees. The president meets with the campus fee advisory committee and either adjusts existing fees on the campus, or requests that the chancellor establish a new fee.

#### Responsibility and Accountability

At the beginning of each fiscal year, each campus completes an annual fee survey for the chancellor's office which details current fee levels and the revenue generated by campus-based fees. The chancellor then reports all mandatory campus-based fees to the Board of Trustees at its November meeting.

#### **Changes to the Student Fee Policy**

While the current policy has provided a good basis for the management and oversight of systemwide and campus-based fees, it also is focused on administrative processes at the beginning of the cycle, and could be strengthened with increased accountability at the end. The current policy presents a time consuming process and is not clear enough to allow campuses to move easily through the necessary steps without technical assistance from the chancellor's office. The revised Student Fee Policy (Attachment A) addresses many of these concerns in an effort to streamline campus procedures, redirect the delegation in a way that makes the most sense for the university and creates greater transparency in reporting to ensure that student fees are appropriate and necessary.

#### Definitions

The new policy will re-define the fee categories so that the process to establish or adjust fees is clearer, establishes one delegation of authority per fee category, and allows campuses to design reporting systems based on fees that are accounted for in similar ways.

#### Authority and Process

The Trustees will retain the authority to establish and adjust all systemwide mandatory fees, which include the State University Fee, non-resident tuition and the application fee (Category I). The chancellor will retain authority to establish campus-based mandatory fees (Category II), while the presidents retain authority to adjust these fees. Miscellaneous course fees will become a separate category (Category III) and the presidents will have the authority to establish miscellaneous course fees within a range that will be established by the chancellor. Any miscellaneous course fees proposed to be higher than the approved range must be established by the chancellor. Administrative fees including all fees for materials, services, use of facilities, fines, deposits and penalties will be grouped together (Category IV). The president now will have the authority to establish these fees without additional approval from the chancellor. Finally, presidents will have authority to establish fees for all campus-based self-support programs such as parking, housing and continuing education (Category V).

Systemwide fees will continue to be brought before the Board for adjustment or approval and no changes are recommended for that process. Campus-based mandatory fees also will follow the same process as in the previous policy, but the way in which campuses measure student support for new fees, or fee increases, is outlined in more detail to ensure that appropriate and meaningful consultation is conducted.

The changes in process proposed by the new policy allow presidents to establish or adjust administrative and self-support fees more efficiently. The fee advisory committee is no longer required to review these fee proposals prior to their implementation, but will review detailed reports of all fees annually. This change also eliminates the need for the president to send a request to the chancellor to establish these types of fees.

This policy does not change any part of the process regarding how departments, academic units or self-support programs request adjustment or establishment of fees. Campus departments will continue to present to either the president or the fee advisory committee a formal fee request that includes the justification for the fee as well as detailed revenue projections and estimated expenditures.

#### Responsibility and Accountability

The new policy will require more detailed reporting both on campus, and to the chancellor's office, annually. Each campus will develop a system for the review of all campus-based fee levels, changes in those levels during the academic year, and any unexpended balances in revenue for all fees. After this review, the fee committee will make recommendations to the president regarding the suspension or elimination of fees based on balances, use of revenue or other unanswered questions. All recommendations made to the president are advisory.

Campuses also are asked to report more detail to the chancellor's office than the current policy requires. The change in policy that gives presidents more authority also means that the chancellor will not see every new fee that is established throughout the year. The additional reporting requirements will give the chancellor and his or her staff the opportunity to examine campus-based fees annually in a way that provides more transparency than the current policy allows.

The following resolution is recommended for approval:

**RESOLVED**, By the Board of Trustees of the California State University, that Attachment A of Agenda Item 4 of the May 13-14, 2008, meeting of the Committee on Finance, titled "The California State University Student Fee Policy," is approved and shall take effect immediately; and, be it further

**RESOLVED**, That the chancellor is directed to take all necessary action to implement the student fee policy in a manner consistent with existing statutes and provisions of bond indentures.

## The California State University Student Fee Policy

### I. Definitions

- A. Category I fees – Systemwide mandatory fees that must be paid to apply to, enroll in, or attend the university, or to pay the full cost of instruction required of some students by statute.
- B. Category II fees – Campus mandatory fees that must be paid to enroll in or attend the university. ~~or to pay the full cost of instruction required of some students by statute.~~
- C. Category III fees – Fees associated with state-supported courses. Specifically for materials and services used in concert with the basic foundation of an academic course offering. ~~other than Category I fees, paid to receive materials, services, or for the use of facilities provided by the university, or to enroll in a course offered through a self-support instructional program.~~
- D. Category IV fees – Fees, other than Category II or III fees, paid to receive materials, services, or for the use of facilities provided by the university; and fees or deposits to reimburse the university for additional costs resulting from dishonored payments, late submissions, or misuse of property or as a security or guaranty.
- E. Category V fees – Fees paid to self-support programs such as Extended Education, Parking and Housing including materials and services fees, user fees, fines, deposits.

### II. Authority

- A. The Board of Trustees provides policy guidance for all matters pertaining to student fees and has the authority for the establishment, oversight and adjustment of Category I fees.
- ~~B. The board retains authority to establish, increase, decrease, or abolish, as appropriate, systemwide fees.~~
- B. The chancellor is delegated authority to establish new campus fees for the establishment, oversight and adjustment of Category II and Category III campus

fees. The chancellor is not delegated authority ~~to establish new~~ for Category I systemwide fees.

- C. The president is delegated authority to for the establishment, oversight and adjustment of Category IV and Category V campus fees, and for the oversight and adjustment of Category II and III fees. increase, decrease or abolish any campus fee. The president is not delegated authority to establish adjust Category I, Category II or Category III systemwide fees, or to adjust Category I fees. The president does however, have authority to establish Category III fees within a range established by the chancellor.

### **III. Responsibility**

- A. The president is responsible for assuring that appropriate consultation occurs prior to adjusting any fee and before requesting that the chancellor ~~to~~ establish a new Category II or Category III fee. ~~This authority is subject to the accountability requirements described below in Section IV.~~
1. The president shall establish a fee advisory committee comprised of student, faculty, staff, and administrative representatives to provide advice to the campus president. Membership of the fee advisory committee shall be established in consultation with the campus student body association and the campus faculty senate and shall include the president of the campus student body association and the chair of the campus faculty senate or their designees. The president shall appoint the chair of the fee advisory committee.
  2. The president shall appoint members to the fee advisory committee, excluding the student representatives who shall be appointed by the campus student body association. Faculty members shall be appointed consistent with normal campus processes for selecting faculty members to service on similar committees. ~~The president shall consult with the committee before adjusting any fee and before requesting the chancellor to establish a new fee including a consolidation of existing fees.~~
  3. Students appointed by the campus student body association shall constitute a majority of the voting members of the fee advisory committee.
  4. A statement of revenues and expenditures including a minimum of one year of actual costs and two years of projected revenue and expenditures for the fee revenue supported activity shall be developed by the campus



chief financial officer and considered by the ~~campus fee advisory committee prior to the campus president~~ prior to establishing or adjusting any fee. ~~or requesting the chancellor to establish a new fee.~~

5. The president shall consult with the fee advisory committee before adjusting or establishing any Category II or III fees and will record in writing his/her approval.
  - a) The fee advisory committee will consider proposals for the establishment and adjustment of Category II or III fees, and will then make a recommendation to the president.
  - b) The president will make a determination on Category IV and V fees after consideration of the revenue and expenditure plans associated with the fees, and will then notify the fee advisory committee of his or her decision.

~~4. Membership of the advisory committee shall be established in consultation with the campus student body association and the campus faculty senate and shall include the president of the campus student body association and the chair of the campus faculty senate or their designees.~~

~~5. Students appointed by the campus student body association shall constitute a majority of the voting members of the committee.~~

~~6. The campus president shall appoint members to the committee excluding the student representatives who shall be appointed by the campus student body association. Faculty members shall be appointed consistent with normal campus processes for selecting faculty members to serve on similar committees.~~

~~7. The president shall appoint the chair of the committee.~~

B. Appropriate and meaningful consultation with campus constituencies regarding charging campus-based mandatory fees and allocating the use of fee revenue is critical to assure that the delegated authority is exercised in a manner that is consistent with policies adopted by the board.

1. Appropriate and meaningful consultation includes consultation with bodies such as the campus faculty senate, the campus student body association and other constituencies affected by any proposed increase in

~~an existing fee or establishment of a new fee. to adjust or establish Category I fees, an advisory student referendum.~~

2. The policy presumes that a student fee referendum will be conducted before adjusting or establishing Category II fees. However, the president may waive the referendum requirement (unless it is required by Education Code) if the president determines that a referendum is not the best mechanism to achieve appropriate and meaningful consultation.
3. If a referendum is not conducted prior to adjusting Category II fees or requesting the chancellor to establish a new Category II fee, the president must demonstrate to the fee advisory committee, the reasons ~~chancellor~~ why the alternative consultation methods selected will be ~~were~~ more effective in complying with this policy.

C. An advisory student referendum is ~~required~~ the preferred method of measuring student support prior to adjusting a ~~campus~~ Category II fee or requesting the chancellor to establish a new ~~campus~~ Category II fee but is ~~and~~ subject to the exception described in B-2 above. The referendum may be conducted by the campus or the student body association. For referenda conducted by the campus, the following shall apply:

1. The president in consultation with the student body association and the faculty senate shall develop guidelines applicable to the student fee referendum process designed to assure that the referendum is open, fair, and objective.
2. The campus shall fund costs associated with the referendum.
3. The fee advisory committee shall issue a voter pamphlet providing objective analysis of the proposed fee action and statements solicited by the committee for and against the proposed fee action.
4. The fee advisory committee shall determine the specific statements that shall be included in the pamphlet.
5. Copies of the voter pamphlet and ballot and information regarding the dates, times, and polling locations shall be available to students and published in the campus newspaper and in other public locations around campus at least thirty days prior to the referendum.

6. The results of a referendum shall be considered favorable when a majority of students voting approve the fee action.
  7. The results of the referendum shall be advisory to the fee advisory committee and the president.
- D. If it is determined that a referendum is not the best mechanism for appropriate and meaningful consultation, and is not required by Education Code, an alternative consultation process may be utilized. The following shall apply:
1. The president, upon deciding that a referendum will not allow for the best measure of student opinion, will inform the fee advisory committee of his/her intent to begin alternative consultation.
  2. Alternative consultation strategies will be developed with input from the student body association and the fee advisory committee to ensure that the process is transparent, and meaningful, and will solicit the input of a representative sample of the student body.
  3. A representative sample should include students in leadership positions as well as students who are not involved in campus leadership. Efforts should be made to include students from aspects of campus life regardless of the type of fee.
  4. Any written material regarding the new fee, or fee increase should follow the same guidelines as the referendum voter pamphlet (Section C above) to provide objective analysis of the fee or fee increase.
  5. Results of the alternative consultation process should be summarized and put in writing and used as additional advisory material to be taken into consideration by the fee advisory committee and the president.
  6. If a category II fee for a capital project (i.e. university union building, or health services building) must be raised to meet minimum debt service revenue bond requirements that were not required when the fee was established, the president can make that adjustment without a full alternative consultation process, but must present the debt service requirements and revenue projections to the fee advisory committee prior to making the adjustment.

#### IV. Accountability

- A. The campus president shall provide to the fee advisory committee a report of all fees in Categories II, III, IV and V. New fees, fee increases, total revenue and unexpended balances should be included. The president has the authority to decrease, suspend or eliminate fees as needed. Total annual Category I fees may not exceed one-third of the systemwide cost of education. The systemwide cost of education is defined as total support expenditures (State University Fee revenue and General Fund support appropriations) divided by the number of full time equivalent students.  
*The accountability provisions of the revised policy are now focused on reporting requirements. Category I fees in the revised policy include all systemwide mandatory fees, including non-resident tuition, thereby changing the calculation.*
- B. Each campus shall report annually to the chancellor, for the most recently completed fiscal year, a complete inventory of all fees in categories II, III, IV and V, charged to students, including past year and current year fee rates, and the total revenue collected for each fee, and the remaining balance for each fee. The Category II fee report will be presented to the board by the chancellor to allow the board to consider the level and range of fees charged to students.

## COMMITTEE ON FINANCE

### **Conceptual Approval of a Public/Public Partnership Project at San José State University with the City of San José for a Joint Use Sports Field Complex on Trustee Property**

#### **Presentation By**

Colleen Nickles  
Assistant Vice Chancellor  
Financial Services

#### **Summary**

The campus is proposing to jointly develop with the City of San José a sports complex consisting of four lighted, synthetic sports fields, a concession stand with administrative space for the complex management, parking, one basketball court and three volleyball courts on approximately 13 acres of campus property. The sports complex will be jointly used by San José State University entities and the San José community, with control of scheduling for city patrons by the City of San José Department of Parks and Recreation. The Campus would contribute the land and the City would contribute the funding for constructing the proposed joint-use facilities.

#### **Background**

In March and May of 2004, a team of senior professional staff from the City of San José and San José State University met in retreat to discuss their shared interest in building a more robust, intentional City-University partnership. This work was prompted by the phenomenal success of the Martin Luther King Jr. (MLK) joint library as well as San José's new Economic Development Strategy, which includes "Develop Strategic Partnerships with San José State University to Drive Innovation and Economic Impact" as one of four top-priority strategies. The team's work was aligned also with the University's vision of being a great metropolitan university. The resulting document from the retreats was the document "*Beyond MLK: A Framework for University-City Collaboration.*"

The Framework was a first step toward consciously creating a shared sense of opportunity and commitment to strategic collaboration between the university, city, and broader community.

#### **South Campus Sports and Recreation**

From the Framework came the visioning of the South Campus District. The South Campus District (See Attachment A map and Attachment B Aerial of the South Campus District) is comprised of a 64 acres of Trustee land, with mostly athletic and intramural facilities, and

approximately 200 acres of adjoining City-owned land that includes a park, zoo, history park, minor league baseball stadium and other structures.

The opportunity and vision of the South Campus District is to transform South Campus into a vibrant sports and recreation complex for professional, collegiate, and amateur athletes, students, and residents. The university has the need to upgrade its intramural capacity and football stadium, to secure and increase parking capacity, and to control its real estate. The city has the need and resources to increase sports field and recreation capacity for residents, and sees opportunity to retain/attract professional athletic teams.

There is an existing joint use of city-university facilities in the South Campus District. The San José State baseball team currently plays about 80 percent of its home games at Municipal Stadium, across the street from the proposed development,

### **Project Description**

In the context of the South Campus District vision, the City of San José and San José State University have been working collaboratively over the last two years to study the opportunities and constraints available within the boundaries of jointly-owned land. Within this study and framework, the City of San José has come forward with a proposal that addresses needs for both the city and the campus. This joint project represents phase one of possible future collaborations in the South Campus District.

The current conceptual proposal from the City of San José is to allow the development of four lighted, synthetic sports fields, a concession stand with administrative space for complex management, parking, two basket ball and four volleyball courts (as depicted in Attachment C) on approximately 13 acres of Trustee property. The current configuration (Attachment D) of the 13 acres that are proposed to be developed include a decaying track and natural turf fields.

The campus is requesting approval from the Board of Trustees to enter into formal negotiations in the form of a development agreement and an operating agreement to advance this project.

### **Financing**

The City of San José will finance and be responsible for any debt service related to the financing at the estimated cost of \$14,000,000 to build all of the improvements articulated in the project scope, as described above in the project description, and depicted in Attachment C. The campus will be responsible for its pro rata share of the operations and maintenance of the facilities. The details of these costs would be developed during the negotiations with the city over the operating agreement.

### **Educational Benefit**

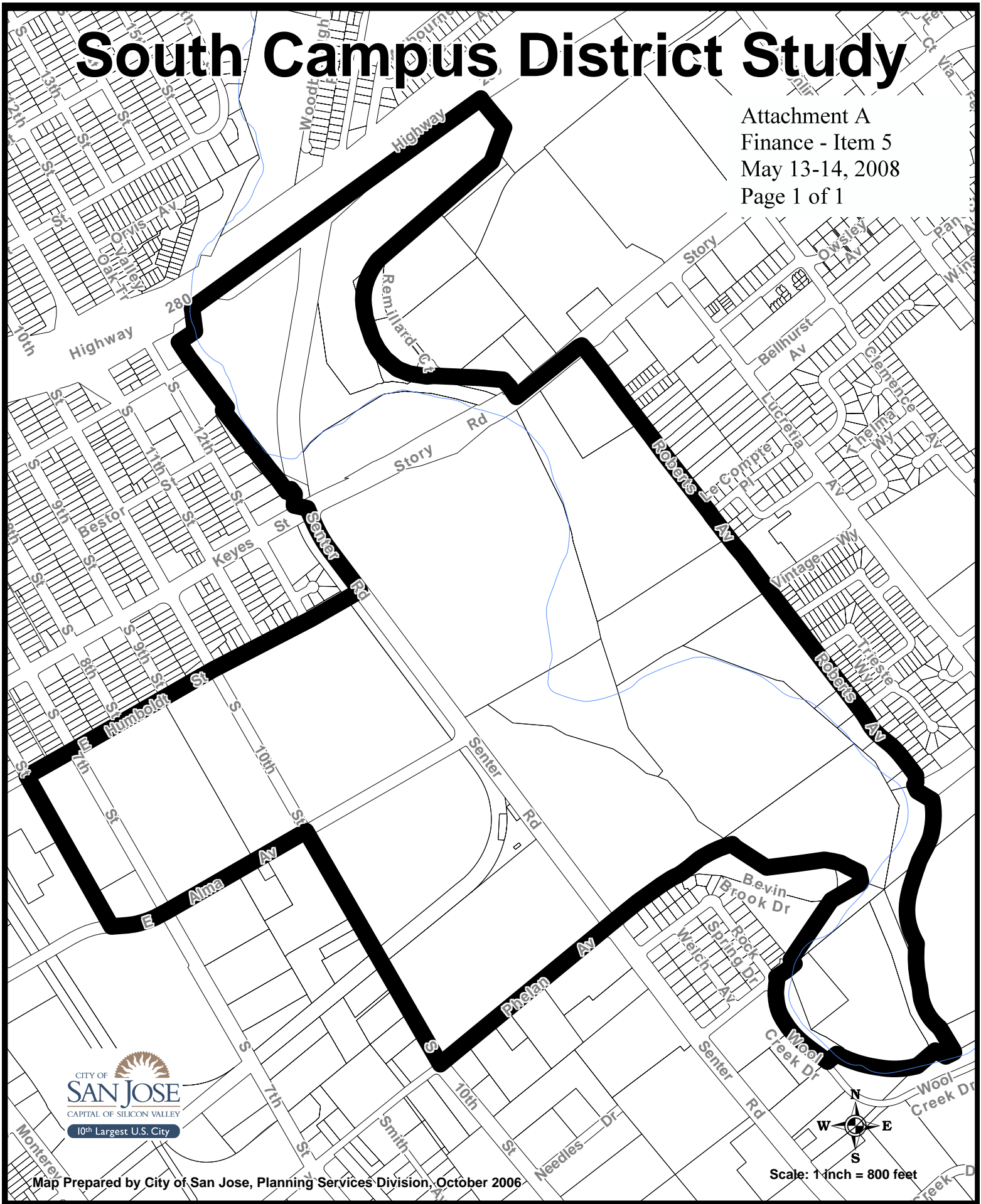
The campus has modest facilities for field kinesiology classes, student intramural sports, club sports, and open recreation. There is only one unlighted field that is used to accommodate all current needs. The development of the four multi-use fields, with lights, will help to meet the student recreation demand and kinesiology department needs.

The following resolution is recommended for approval:

**RESOLVED,** By the Board of Trustees of the California State University, that the Chancellor or his designee is authorized to enter into formal negotiations for a joint use partnership with the City of San José, on behalf of the Board of Trustees, that will result in a development agreement and an operating agreement to facilitate the development and long-term joint use of a sports field complex on San José State University south campus land. The final terms and conditions for the agreements will be brought back to the Trustees for approval and authorization to execute final agreements, consistent with Executive Order 747 (Real Property Development Projects).

# South Campus District Study

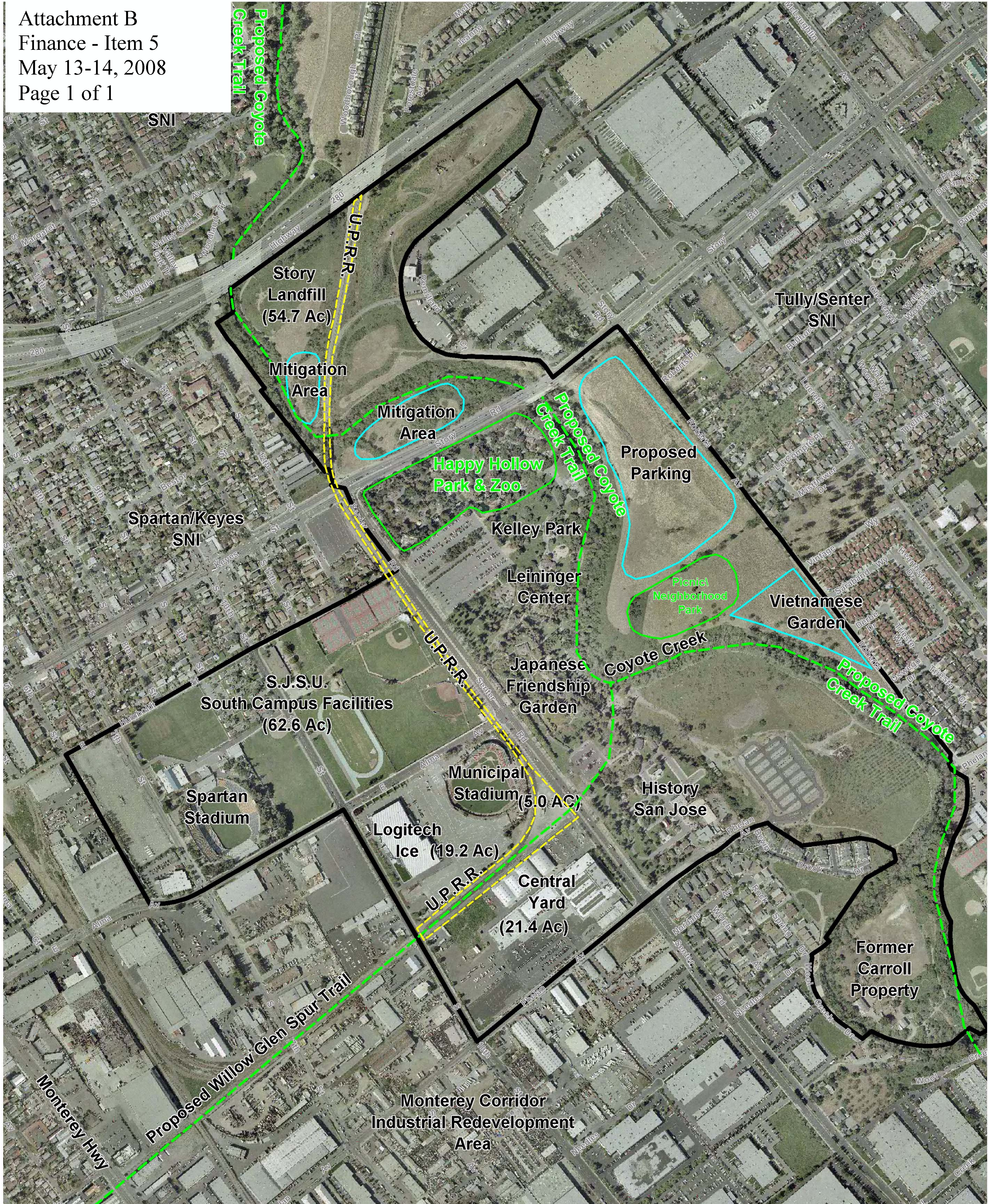
Attachment A  
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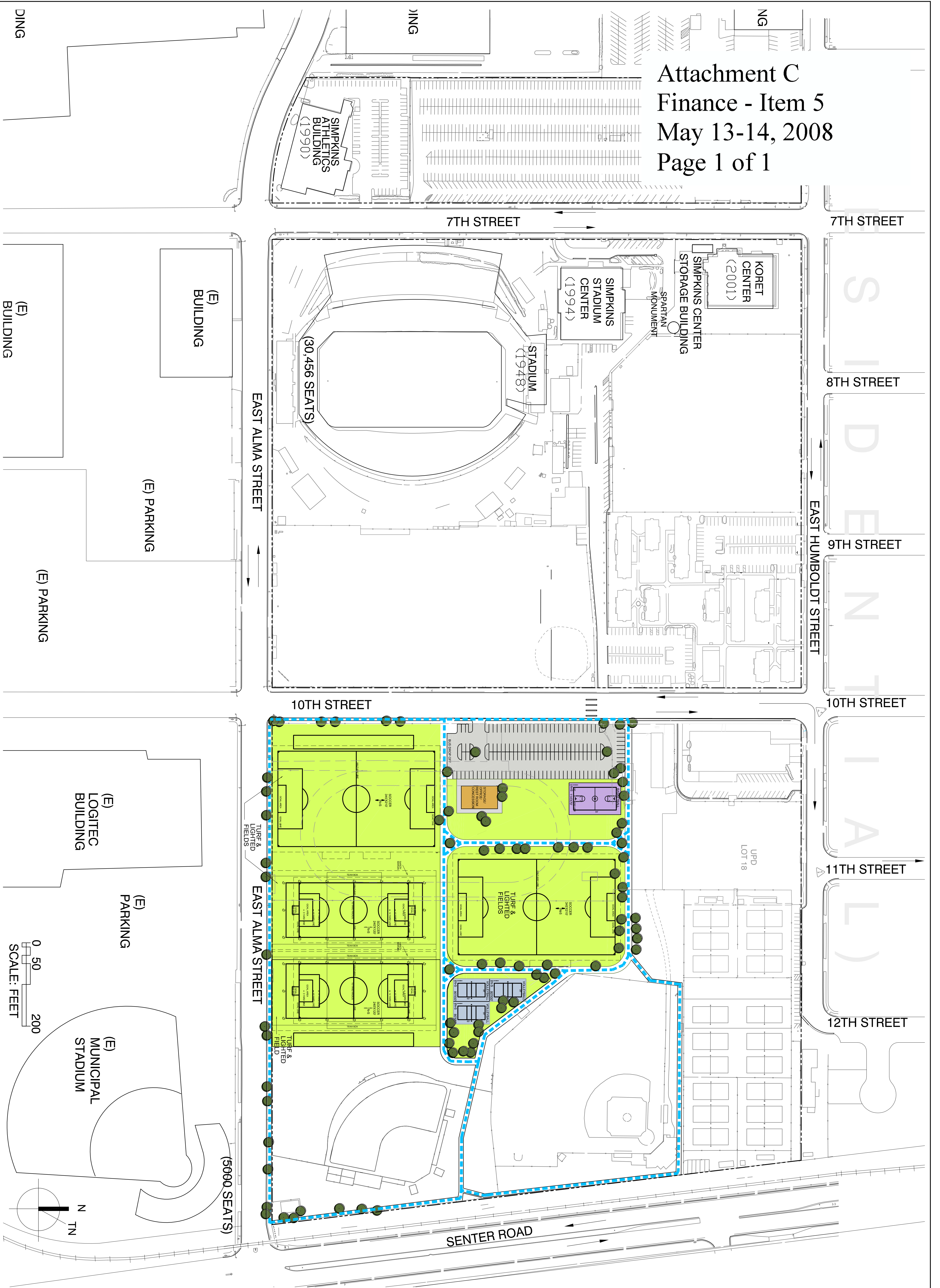


# South Campus District Plan

Attachment B  
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Attachment C  
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**San José State UNIVERSITY**  
Facilities Development & Operations  
One Washington Square  
San Jose, California 95192-0010  
Phone: (408) 924-1850  
Fax: (408) 924-1280  
http://planning.sjsu.edu

**SOUTH CAMPUS MASTER PLAN**  
San Jose State University  
One Washington Square  
San Jose, California 95192

PROJECT NAME  
**Preliminary Site Plan**

SHEET TITLE	ISSUE	REV	DATE	DESCRIPTION	BY
<b>SCHEME A1</b>					

BLDG. NO. 000 FLR. NO. - - RMT. NO. - -  
 JOB NO. - - WORK ORDER NO. - -  
 DN. BY: X CK. BY: X  
 SCALE: AS SHOWN DATE ISSUED: 4/23/08  
 SHEET NO.



**COMMITTEE ON FINANCE****Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects****Presentation By**

Colleen Nickles  
Assistant Vice Chancellor  
Financial Services

**Summary**

This item requests the Board of Trustees to authorize the issuance of Systemwide Revenue Bonds and the issuance of interim financing under the CSU's commercial paper program in an aggregate amount not-to-exceed \$90,925,000, to provide funds for two campus projects. The Board is being asked to approve a set of resolutions relating to these projects. The long-term bonds will be part of a future Systemwide Revenue Bond sale and are expected to bear the same ratings from Moody's Investors Service and Standard and Poor's Corporation as the existing Systemwide Revenue Bonds.

The projects are as follows:

**1. Maritime Academy Student Housing, Phase I**

In September 2007, the Board of Trustees approved the amendment of the non-state capital outlay program and schematics of the project during its Committee on Campus Planning, Buildings and Grounds. The project received a favorable recommendation from the Housing Proposal Review Committee in March 2007. The building will be approximately 28,900 gross square feet and will be a three-story wood framed structure, housing 132 students and designed for double occupancy. Each floor will have a common area, study space, laundry facilities, and vending machines. The project will be located across from Bodner Field.

The not-to-exceed par value of the proposed bonds is \$13,995,000, and is based on estimated project costs of \$11,811,000. Additional financing costs are to be funded from the bond proceeds. In March 2008, the campus received good bids for this design-bid-build project. The campus anticipates a construction start of June 2008 with an estimated completion in June 2009.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$13,995,000
Amortization	Approximately level over 30 years
Pro-forma maximum annual debt service	\$984,780
Projected debt service coverage including the new project: <sup>1</sup>	
Net revenue – All Maritime pledged revenue programs:	1.81
Net revenue – Projected for the campus housing program:	1.46

1. Projected information – Combines 2006/07 information for the campus-pledged revenue programs and 2011/12 operations, the third year of the project, with expected full debt service.

The not-to-exceed amount for the project totaling \$13,995,000, the maximum annual debt service, and the ratios above are based on an all-in interest cost of 5.93% (as of April 9, 2008), reflective of market scale plus 100 basis points as a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan includes level amortization of debt service, which is the CSU program standard. The campus has submitted a financial plan that has a 1.46 times projected program net revenue debt service coverage, which exceeds the CSU benchmark of 1.10. The campus' combined net revenue debt service coverage from all pledged revenue programs for the campus is projected at 1.81, which exceeds the CSU's 1.35 times debt service campus benchmark.

## 2. Pomona Student Housing – Phase II

In September 2005, the Board of Trustees approved the amendment of the non-state capital outlay program, and in January 2007, the Board approved the schematics of the project during its Committee on Campus Planning, Buildings and Grounds. The project received a favorable recommendation from the Housing Proposal Review Committee in November 2006. The 600 bed project will consist of three buildings with three to four stories, totaling approximately 225,500 gross square feet. The facilities will have one to four bedroom apartments with shared living area, kitchen centers, study areas, bathrooms, and laundry and meeting rooms. Additionally, there will be a community center of approximately 6,000 gross square feet with a café, convenience store, and multi-purpose room for student organizations and other university programs.

The not-to-exceed par value of the proposed bonds is \$76,930,000, and is based on a project cost of \$75,778,800, with a campus housing reserve contribution of \$10,000,000. Additional financing costs are to be funded from the bond proceeds. In April 2008, the campus received good construction bids for this design-bid-build project. The campus anticipates a construction start of May 2008 with an estimated completion in April 2010.

The following table provides information about this financing transaction.

REVISED

Not-to-exceed amount	\$76,930,00
Amortization	Approximately level over 30 years
Pro-forma maximum annual debt service	\$5,337,230
Projected debt service coverage including the new project: <sup>1</sup>	
Net revenue – All Pomona pledged revenue programs:	1.59
Net revenue – Projected for the campus housing program:	1.40

1. Projected information – Combines 2006/07 information for the campus-pledged revenue programs and 2011/12 operations of the project with expected full debt service.

The not-to-exceed amount for the project totaling \$76,930,000, the maximum annual debt service, and the ratios above are based on an all-in interest cost of 5.93% (as of April 9, 2008), reflective of market scale plus 100 basis points as a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan includes level amortization of debt service, which is the CSU program standard. The campus has submitted a financial plan that has a 1.40 times projected program net revenue debt service coverage, which exceeds the CSU benchmark of 1.10. The campus' combined net revenue debt service coverage from all pledged revenue programs for the campus is projected at 1.59, which exceeds the CSU's 1.35 times debt service campus benchmark.

**Trustee Resolutions and Recommended Action**

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

1. Authorize the sale and issuance of Systemwide Revenue Bond Anticipation Notes and the related sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds in an amount not-to-exceed \$90,925,000, and certain actions relating thereto.
2. Provide a delegation to the Chancellor; the Executive Vice Chancellor and Chief Financial Officer; the Assistant Vice Chancellor, Financial Services; and the Director, Financing and Treasury; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes and the revenue bonds.

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REVISED

Approval of the financing resolutions for the projects as described in this Agenda Item 6 of the Committee on Finance of the May 13-14, 2008, meeting of the CSU Board of Trustees is recommended for:

**Maritime Academy Student Housing, Phase I**

**Pomona Student Housing – Phase II**

## **COMMITTEE ON FINANCE**

### **Approval to Increase the Authorized Amount of the California State University's Commercial Paper Program from \$250 Million to \$500 Million**

#### **Presentation By**

Colleen Nickles  
Assistant Vice Chancellor  
Financial Services

#### **Summary**

This item requests the Board of Trustees to approve an increase in the authorized amount of the California State University's Commercial Paper Program from \$250 Million to \$500 Million. The Board is being asked to approve a resolution relating to this increase that will ensure that the increased demand for financing for projects and other approved uses can be met and the CSU continues to benefit from the cost savings of the commercial paper program.

#### **Commercial Paper Program Background and Structure**

In January 2001, the Board approved the implementation of CSU's Commercial Paper Program (Program). In conjunction with the newly created Systemwide Revenue Bond program, the Program was to function as bridge financing for projects between bond sales. In addition, the Program was to take advantage of the lower cost of financing, particularly during the construction period of projects, that commercial paper had historically provided when compared to long term bond financing. This lower cost of financing included both lower interest rates as well as lower cost of issuance at the time funding would be needed for a project. The Board's approval also envisioned the possibility of using commercial paper to finance equipment at some point in the future.

When it approved the Program in 2001, the Board authorized an amount up to \$250 million. The \$250 million level was based on historical analysis of projects from 1999 – 2001, as well as the likelihood of using the Program for equipment and software financing in the future. Staff worked with a finance team comprised of Kelling, Northcross & Nobriga (Financial Advisor), Orrick, Herrington & Sutcliffe LLP (Bond Counsel), as well as financial counterparties, such as commercial banks, a commercial paper dealer, and a commercial paper trustee to put the Program into effect at an initial size of \$150 Million.

The first commercial paper notes were issued in February 2001 for \$24.1 million. In February 2005, the Program size was increased from \$150 million to \$200 million in order to meet the



increased demand for project funding needs. In March 2006, the first taxable commercial paper notes were issued and later that year in June, the Program began to finance equipment and software, consistent with the Board's approval. In September 2007, the Program size was increased from \$200 million up to the authorized amount of \$250 million in order to meet increased demand for projects, and equipment and software funding needs. Since 2001, the CSU has issued a total of approximately \$840 million in commercial paper notes.

When the Program was authorized by the Board in 2001, the CSU did not have the legal authority to issue commercial paper directly on its own and the decision was made to issue the commercial paper through the California State University Institute (Institute), a recognized systemwide auxiliary organization. (Effective January 1, 2008, the CSU received legislative authority to issue commercial paper directly on its own, however, the current structure of issuing commercial paper through the Institute provides operational flexibility to the CSU and will continue for the foreseeable future.) For campus and auxiliary projects, the CSU issues Bond Anticipation Notes (BANs) pursuant to its authority under the State University Revenue Bond Act of 1947. The Institute issues commercial paper to purchase the BANs. BAN proceeds are then used to pay for a project's construction costs until the next bond sale, when the commercial paper and BANs are paid in full. Interest on the BANs matches the interest on the commercial paper.

For equipment and software financing, commercial paper is issued to finance computer software upgrades, and computer hardware and equipment needs for campuses. Commercial paper is secured by a capital lease obligation entered into by and between the Institute (Lessor) and the campus (Lessee). Under the terms and conditions of the capital lease obligation, the Lessee is required to make quarterly lease payments to the Institute, with such payments applied toward paying the interest accrued on and a portion of the principal of the outstanding commercial paper. Commercial paper rollovers continue until the equipment is fully amortized or the software is fully implemented, up to a maximum of eight years.

The Program's commercial paper is backed by a Letter of Credit (LOC) issued by highly rated, well-capitalized banks, currently State Street and JP Morgan. The LOC lowers the interest rate paid on the commercial paper and therefore lowers the overall cost of financing even after including the cost of the LOC.

### **Program Savings**

Since its inception in 2001, the Program has saved the CSU approximately \$14.7 million in financing costs, when compared to the estimated costs that would have been incurred if projects were financed individually and exclusively with long term bonds. This amount is comprised of approximately \$10.9 million in estimated interest savings and approximately \$3.8 million in estimated cost of issuance savings.

This amount of savings also can be considered conservative in that it does not include the amount of staff time and effort that has been saved by funding projects through the Program. The amount of time and effort needed to obtain and providing funding for projects is much faster and less burdensome when compared to the level of coordination among the many different parties and number of tasks surrounding bond financing. In addition, the Program provides significant financial flexibility to the CSU, allowing greater control over the timing and size of bond sales to take advantage of favorable market factors.

### **Increase Request**

In January 2001, when the Program was implemented, the \$250 million authorization for the Program size was expected to be sufficient to meet the interim funding requirements of the CSU's traditional enterprise programs, as well as any equipment funding needs for the foreseeable future. The \$250 million authorized amount has served the CSU well for over seven years, however it is now considered insufficient to meet the expected needs of the CSU over the next several years. This is the result of two main causes.

First, the size and scope of traditional enterprise projects has increased significantly since 2001, largely driven by increased construction costs. This has resulted in larger and more frequent amounts of commercial paper being required to finance these projects.

Second, the Program began to finance other types of projects, such as equipment and faculty/staff housing, which are expected to grow over time, but which are not well suited for long term bond financing. The commercial paper for these additional uses is not paid off with bond proceeds and becomes a longer-term allocation of the Program's capacity. In turn, this means the Program's available capacity for traditional enterprise projects is reduced by this longer-term allocation. For example, since the financing of equipment commenced in 2006, commercial paper dedicated to this purpose has grown to \$62.4 million and is expected to grow to \$90 million over the next two fiscal years.

An increase in the authorized amount of the Program also will preserve the financial flexibility of the CSU. Excess capacity under the Program allows the CSU to be more selective in the timing of long term bond issuances, because projects can be financed with commercial paper in between bond sales. To the extent that commercial paper capacity is limited, the need to issue long term bonds to pay off commercial paper and free up capacity threatens the financial flexibility of the CSU. As an example, the Program's available capacity at the time of the CSU's most recent Systemwide Revenue Bond sale in April 2008 was down to approximately \$20 million. An increase in the Program's authorized amount will preserve the CSU's ability to issue bonds when market factors are favorable in contrast to issuing bonds to free up the Program's capacity for upcoming scheduled projects.

An increase in the level of the LOC also will be negotiated, as required to support the level of the Program as then outstanding.

In order to preserve adequate commercial paper capacity for the CSU's traditional enterprise programs as well as additional uses over the next five years, and to preserve flexibility in the timing of bond sales, an increase in the authorized level of the California State University's commercial paper program from \$250 million to \$500 million is appropriate.

### **Trustee Resolutions**

Orrick, Herrington & Sutcliffe LLP, as bond counsel for the Trustees, is preparing a resolution to be presented at this meeting for the commercial paper program described in this agenda item. The proposed resolution will be distributed at the meeting and achieve the following:

Provide a delegation to the Chancellor; the Executive Vice Chancellor and Chief Financial Officer; the Assistant Vice Chancellor, Financial Services; and the Director, Financing and Treasury; and their designees to take any and all necessary actions to execute documents to increase the authorized amount of the California State University's Commercial Paper Program from \$250 million to \$500 million, as described in Agenda Item 7 of the Committee on Finance at the May 13-14, 2008 meeting of the CSU Board of Trustees.