

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

**California State University
Office of the Chancellor—Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, CA 90802**

**Agenda
January 29-31, 2018**

Time*	Committee	Location¹
MONDAY, JANUARY 29, 2018		
12:00 p.m.	<u>Call to Order</u>	
12:00 p.m.	<u>Board of Trustees—Closed Session</u> Executive Personnel Matters Government Code §11126(a)(1)	Hilton Long Beach
TUESDAY, JANUARY 30, 2018		
7:30 a.m.	<u>Committee on Educational Policy</u> <u>Subcommittee on Honorary Degrees—Closed Session</u> Government Code §11126(c)(5)	Munitz Conference Room
8:00 a.m.	<u>Committee on Educational Policy</u> <u>and Board of Trustees—Closed Session</u> Government Code §11126(c)(5) <i>Action</i> 1. Honorary Degree Nominations and Subcommittee Recommendations	Munitz Conference Room
8:30 a.m.	<u>Board of Trustees—Closed Session</u> Executive Personnel Matters Government Code §11126(a)(1) Pending Litigation Government Code §11126(e)(1) Hudson v. CSU, et al. Gupta v. CSU Chili v. CSU Anticipated Litigation	Munitz Conference Room

¹ All committees meet in the Dumke Auditorium unless otherwise noted.

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TUESDAY, JANUARY 30, 2018 (cont.)

9:30 a.m. Committee on Collective Bargaining—Closed Session Munitz Conference Room
Government Code §3596(d)

10:00 a.m. State of the California State University

10:45 a.m. Committee on Institutional Advancement
Consent

Action 1. Approval of Minutes

Discussion

Action 2. Naming of The Ernest E. Tschannen Science Complex – California State University, Sacramento

Action 3. Naming of the Oppenheimer Family Riding Pavilion, Oppenheimer Family Stallion Barn and Oppenheimer Family Foaling Barn – California Polytechnic State University, San Luis Obispo

Action 4. Annual Report on Donor Support for 2016-2017

11:30 a.m. Luncheon

12:30 p.m. Committee on Finance

Consent

Action 1. Approval of Minutes

Action 2. Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University, Los Angeles and California State University Maritime Academy

Discussion

Information 3. University Operational Effectiveness Initiatives

Information 4. 2018-2019 Operating Budget and Consideration of Expenditure and Revenue Options

2:00 p.m. Committee on Governmental Relations

Consent

Action 1. Approval of Minutes

Discussion

Information 2. State Legislative Update

Information 3. Federal Update

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- 3:00 p.m. Committee on Educational Policy**
Consent
Action 1. Approval of Minutes
Discussion
Information 2. Enrollment Management
Information 3. Recommended Amendment to Title 5 Regarding Exemption from Nonresident Tuition
Information 4. The Wang Family Excellence Awards

WEDNESDAY, JANUARY 31, 2018

- 8:00 a.m. Committee on University and Faculty Personnel**
Consent
Action 1. Approval of Minutes
Discussion
Action 2. Executive Compensation: President – San Diego State University
Action 3. Executive Compensation: President – California State University, Fullerton
Action 4. Executive Compensation: Executive Vice Chancellor and General Counsel – California State University
Information 5. Recommended Revision of Title 5, California Code of Regulations, Section 42909, Vacation Accumulation and Carry-Over

- 8:45 a.m. Committee on Campus Planning, Buildings and Grounds**
Consent
Action 1. Approval of Minutes
Action 2. California State University Maritime Academy Master Plan Revision and Real Property Acquisition
Discussion
Action 3. California State University, Chico Siskiyou II Science Replacement (Seismic) Building
Action 4. California State University, East Bay Master Plan Revision
Action 5. California State University, San Bernardino Master Plan Revision for Palm Desert Off-Campus Center

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WEDNESDAY, JANUARY 31, 2018 (cont.)

9:15 a.m. Joint Committees on Finance and Campus Planning, Buildings and Grounds

Consent

Action 1. Approval of Minutes

Action 2. Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments and Approval of Related Actions for the Extended Learning Building and Parking Structure Project at California State University San Marcos

Discussion

Information 3. Summary of California State University Public-Private Partnerships

9:45 a.m. Committee on Organization and Rules

Consent

Action 1. Approval of Minutes

Information 2. Proposed California State University Board of Trustees' Meeting Dates for 2019

Discussion

Information 3. Revision of Standing Orders – Delegation of Capital Outlay Project Approval, Schematic Design Approval, and Financing Approval

10:05 a.m. Committee on Audit

Consent

Action 1. Approval of Minutes

Information 2. Status Report on Current and Follow-up Internal Audit Assignments

Discussion

Action 3. Calendar Year 2018 Plan for Audits, Advisory Services, and Investigations

Information 4. Report of the Systemwide Financial Statements and Single Audit of Federal Awards Including the Report to Management

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10:30 a.m. Committee on Collective Bargaining—Open Session
Consent

Action 1. Approval of Minutes

Discussion

Action 2. Ratification of the Successor Collective Bargaining Agreement with Bargaining Units 2, 5, 7, and 9, the California State University Employees Union (CSUEU), SEIU Local 2579

Action 3. Ratification of the Successor Collective Bargaining Agreement with Bargaining Unit 4, Academic Professionals of California (APC)

Action 4. Ratification of the Successor Collective Bargaining Agreement with Bargaining Unit 10, International Union of Operating Engineers, Stationary Engineers (IUOE), Local 39, AFL-CIO

Action 5. Adoption of Initial Proposals for a Successor Collective Bargaining Agreement with Bargaining Unit 8, the Statewide University Police Association (SUPA)

11:15 a.m. Board of Trustees

Call to Order

Roll Call

Public Speakers

Chair's Report

Report of the Academic Senate CSU: *Chair—Christine Miller*

Report of the California State Student Association: *President—Maggie White*

Report of the California State University Alumni Council: *President—Manolo P. Morales*

Consent

Action 1. Approval of the Minutes of the Board of Trustees Meeting of November 8, 2017

Action 2. Approval of Committee Resolutions as follows:

Committee on Institutional Advancement

1. Naming of The Ernest E. Tschannen Science Complex – California State University, Sacramento
2. Naming of the Oppenheimer Family Riding Pavilion, Oppenheimer Family Stallion Barn and Oppenheimer Family Foaling Barn – California Polytechnic State University, San Luis Obispo
3. Annual Report on Donor Support for 2016-2017

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Committee on Finance

2. Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University, Los Angeles and California State University Maritime Academy

Committee on University and Faculty Personnel

2. Executive Compensation: President – San Diego State University
3. Executive Compensation: President – California State University, Fullerton
4. Executive Compensation: Executive Vice Chancellor and General Counsel – California State University

Committee on Campus Planning, Buildings and Grounds

2. California State University Maritime Academy Master Plan Revision and Real Property Acquisition
3. California State University, Chico Siskiyou II Science Replacement (Seismic) Building
4. California State University, East Bay Master Plan Revision
5. California State University, San Bernardino Master Plan Revision for Palm Desert Off-Campus Center

Joint Committees on Finance and Campus Planning, Buildings and Grounds

2. Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments and Approval of Related Actions for the Extended Learning Building and Parking Structure Project at California State University San Marcos

Discussion

- Action* 3. Conferral of Commendation—President Mildred García

12:30 p.m. Board of Trustees—Closed Session
Executive Personnel Matters
Government Code §11126(a)(1)

Munitz Conference Room

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Addressing the Board of Trustees

Members of the public are welcome to address agenda items that come before standing and special meetings of the board, and the board meeting. Comments should pertain to the agenda or university-related matters and not to specific issues that are the subject of collective bargaining, individual grievances or appeals, or litigation. Written comments are also welcome and will be distributed to the members of the board. The purpose of public comments is to provide information to the board, and not to evoke an exchange with board members. Questions that board members may have resulting from public comments will be referred to appropriate staff for response.

Members of the public wishing to speak must provide written or electronic notice to the Trustee Secretariat by **two working days before the committee or board meeting** at which they desire to speak. The notice should state the subject of the intended presentation. An opportunity to speak before the board on items that are on a committee agenda will only be provided where an opportunity was not available at that committee, or where the item was substantively changed by the committee.

In fairness to all speakers who wish to speak, and to allow the committees and Board to hear from as many speakers as possible, while at the same time conducting the public business of their meetings within the time available, the committee or board chair will determine and announce reasonable restrictions upon the time for each speaker, and may ask multiple speakers on the same topic to limit their presentations. In most instances, speakers will be limited to no more than three minutes. The totality of time allotted for public comment at the board meeting will be 30 minutes, and speakers will be scheduled for appropriate time in accord with the numbers that sign up. Speakers are requested to make the best use of the public comment opportunity and to follow the rules established.

Note: Anyone wishing to address the Board of Trustees, who needs any special accommodation, should contact the Trustee Secretariat at least 48 hours in advance of the meeting so appropriate arrangements can be made.

Trustee Secretariat
Office of the Chancellor
401 Golden Shore, Suite 136
Long Beach, CA 90802
Phone: 562-951-4020
Fax: 562-951-4949
E-mail: trusteesecretariat@calstate.edu

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AGENDA

COMMITTEE ON INSTITUTIONAL ADVANCEMENT

Meeting: 10:45 a.m., Tuesday, January 30, 2018
Glenn S. Dumke Auditorium

Silas H. Abrego, Chair
Jean P. Firstenberg, Vice Chair
Debra S. Farar
Hugo N. Morales
J. Lawrence Norton

Consent

1. Approval of Minutes of the Meeting of November 7, 2017, *Action*

Discussion

2. Naming of The Ernest E. Tschannen Science Complex – California State University, Sacramento, *Action*

3. Naming of the Oppenheimer Family Riding Pavilion, Oppenheimer Family Stallion Barn and Oppenheimer Family Foaling Barn – California Polytechnic State University, San Luis Obispo, *Action*

4. Annual Report on Donor Support for 2016-2017, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON INSTITUTIONAL ADVANCEMENT
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, California**

November 7, 2017

Members Present

Silas H. Abrego, Chair
Jean P. Firstenberg, Vice Chair
Rebecca D. Eisen, Chair of the Board
Debra S. Farar
Hugo N. Morales
J. Lawrence Norton
Timothy P. White, Chancellor

Trustee Abrego called the meeting to order.

Approval of Minutes

The minutes of September 19, 2017, were approved as submitted.

**Naming of the Dale and Katy Carlsen Center for Innovation and Entrepreneurship –
California State University, Sacramento**

Mr. Garrett Ashley, vice chancellor for university relations and advancement, reported that the proposed naming recognizes the \$6 million commitment by Mr. and Mrs. Carlsen to Sacramento State for the newly established center.

Mr. Dale Carlsen was present and spoke on behalf of his family. Sacramento State President Robert S. Nelsen and Chancellor Timothy P. White thanked the Carlsons for their generosity to the university and the community.

The committee recommended approval by the board of the proposed resolution (RIA 11-17-10) that the Center for Innovation and Entrepreneurship at California State University, Sacramento, be named The Dale and Katy Carlsen Center for Innovation and Entrepreneurship.

Ins. Adv.
Agenda Item 1
January 29-31, 2018
Page 2 of 2

Naming of the Epstein Family Veterans Center – California State University San Marcos

Mr. Ashley and Cal State San Marcos President Karen S. Haynes reported that the proposed naming recognizes the \$1 million commitment by Daniel and Phyllis Epstein and their children, Julie Bronstein and Michael Epstein, to Cal State San Marcos.

The committee recommended approval by the board of the proposed resolution (RIA 11-17-11) that the Veterans Center at California State University San Marcos be named as the Epstein Family Veterans Center.

Trustee Abrego adjourned the meeting.

COMMITTEE ON INSTITUTIONAL ADVANCEMENT

Naming of The Ernest E. Tschannen Science Complex – California State University, Sacramento

Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Robert S. Nelson
President
California State University, Sacramento

Summary

This item will consider naming the Science Complex at California State University, Sacramento, as The Ernest E. Tschannen Science Complex.

This proposal, submitted by Sacramento State, meets the criteria and other conditions specified in the Board of Trustees Policy on Naming California State University Facilities and Properties, including approval by the system review panel and the campus academic senate.

Background

The proposed naming of the facility recognizes a \$9 million pledge by Mr. Ernest E. Tschannen, of which \$2 million has been received. An additional \$7 million will be received upon his passing. All funds will support the building costs associated with the complex.

Mr. Tschannen's support for Sacramento State is in line with his philanthropic priorities – healthy aging, life sciences and the environment – as well as a tribute to his late brother, a chemist. Mr. Tschannen believes in the Sacramento region and understands that his gift to Sacramento State will further ignite philanthropic support and a culture of philanthropy.

Born in Aarwangen, Switzerland in 1925, Mr. Tschannen spent the first half of his life in his home country and earned a degree in mechanical engineering before moving to Canada in 1950. He eventually immigrated to the United States to pursue his career as an engineer. Mr. Tschannen has spent the latter part of his life as an investor in real estate and owns 28 apartment complexes across the United States. At age 92, Mr. Tschannen has settled in Orangevale, California, where he continues to manage his portfolio of investments. He is an avid hiker, kayaker, cross country skier and cyclist.

Ins. Adv.
Agenda Item 2
January 29-31, 2018
Page 2 of 2

Recommended Action

RESOLVED, by the Board of Trustees of the California State University, that the Science Complex at California State University, Sacramento, be named as The Ernest E. Tschannen Science Complex.

COMMITTEE ON INSTITUTIONAL ADVANCEMENT

Naming of the Oppenheimer Family Riding Pavilion, Oppenheimer Family Stallion Barn and Oppenheimer Family Foaling Barn - California Polytechnic State University, San Luis Obispo

Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Jeffrey D. Armstrong
President
California Polytechnic State University, San Luis Obispo

Summary

This item will consider naming the newly constructed agricultural facilities as the Oppenheimer Family Riding Pavilion, the Oppenheimer Family Stallion Barn and the Oppenheimer Family Foaling Barn.

This proposal, submitted by California Polytechnic State University, San Luis Obispo, meets the criteria and the conditions specified in the Board of Trustees Policy on Naming California State University Facilities and Properties, including approval by the system review panel and the campus Academic Senate Executive Committee.

Background

The naming recognizes a \$20 million gift made by Peter and Mary Beth Oppenheimer, which will fully fund and dramatically transform facilities throughout the College of Agriculture, Food and Environmental Sciences. Specifically, this project will provide:

- 60,000 square feet of partially enclosed and covered riding arenas
- Support facilities and vehicle parking to support current programs and expansions
- North Pavilion
- Stallion Barn
- Foaling Barn

Peter and Mary Beth Oppenheimer are both alumni of Cal Poly's College of Agriculture, Food and Environmental Sciences. Peter Oppenheimer earned his bachelor's degree in agricultural business in 1985, and Mary Beth Oppenheimer, née Nimocks, earned her bachelor's degree in home economics in 1986.

Peter retired in October 2014 from Apple, Inc., where he held the position of senior vice president and chief financial officer since 2004. In his role at Apple, Peter was responsible for the controller, treasury, investor relations, tax, information systems, internal audit and facilities functions. Peter has also served on the board of directors for Goldman Sachs since March 2014 and is vice chairman of the Cal Poly Foundation Board. In 2012, Peter received an honorary doctorate from Cal Poly and in 2014 was selected as the Honored Alumnus for the College of Agriculture, Food and Environmental Sciences.

Recommended Action

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of The California State University, that the agricultural facilities at California Polytechnic State University, be named as the Oppenheimer Family Riding Pavilion, the Oppenheimer Family Stallion Barn and the Oppenheimer Family Foaling Barn.

COMMITTEE ON INSTITUTIONAL ADVANCEMENT

Annual Report on Donor Support for 2016-2017

Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Lori A. Redfearn
Assistant Vice Chancellor
Systemwide Advancement

William A. Covino
President
California State University, Los Angeles

Summary

This item presents information on donor support to the California State University from July 1, 2016 to June 30, 2017. Section 89720 of the Education Code requires that an annual gift report be submitted to the California Joint Legislative Budget Committee and the California Department of Finance.

A full report is available at <http://www.calstate.edu/philanthropic>.

Overview

With a record-breaking \$501 million in new gift commitments (gifts received and pledges), 2016-2017 was a transformational year for the California State University. The CSU also achieved more than 30 percent increases in both alumni and parent giving, with an additional 6,800 alumni making gifts compared to the prior year.

Many CSU campuses also broke individual and university records. Cal Poly San Luis Obispo accepted a CSU-record \$110 million gift; San Diego State concluded its record-breaking *Campaign for SDSU*, which in total raised \$815 million over 10 years; Chico State had a record number of gift commitments to the Tower Society, which spurred new scholarships; and the *Campaign for CSUSB* made massive strides toward its historic fundraising goal.

Gifts Received

In 2016-2017, gift receipts to the CSU totaled \$339 million. Gift receipts are new gifts and pledge payments. The CSU received over \$200 million in support – 98 percent of which was donor designated – to fund current operations and programs, including:

- \$30.5 million for student scholarships
- \$57.5 million for academic enrichment
- \$8.2 million for applied research
- \$1.7 million for faculty support
- \$3.1 million for library resources
- \$21.4 million for athletics
- \$42.1 million for public service programs
- \$2.8 million for equipment and minor facility improvements
- \$35.0 million for other designated priorities

Unrestricted support of \$7.3 million represents two percent of all gifts received and is available for high priority needs.

For long-term capital projects, campuses received \$29 million for facility construction and renovation.

Endowments grew by \$88 million in new contributions, which will provide scholarship and program support in perpetuity. Irrevocable deferred gifts account for \$14 million in receipts.

Performance Benchmarking

Gift receipts are the national standard used by Council for Aid to Education and the Council for Advancement and Support of Education to compare fundraising results across universities. Among public master's institutions across the nation, Cal Poly San Luis Obispo ranked number one and was joined by San José State, CSU Los Angeles, CSU Sacramento, CSU San Bernardino and CSU Northridge in the top 20 for overall fundraising. San Diego State ranked 12th among high-activity public research institutions.

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that the Annual Report on Donor Support for 2016-2017 be adopted for submission to the California Joint Legislative Budget Committee and the California Department of Finance.

AGENDA

COMMITTEE ON FINANCE

Meeting: 12:30 p.m., Tuesday, January 30, 2018
Glenn S. Dumke Auditorium

Peter J. Taylor, Chair
John Nilon, Vice Chair
Jane W. Carney
Adam Day
Hugo N. Morales
Jorge Reyes Salinas
Lateefah Simon

- Consent**
1. Approval of Minutes of the Meeting of November 7, 2017, *Action*
 2. Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University, Los Angeles and California State University Maritime Academy, *Action*
- Discussion**
3. University Operational Effectiveness Initiatives, *Information*
 4. 2018-2019 Operating Budget and Consideration of Expenditure and Revenue Options, *Information*

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

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

November 7, 2017

Members Present

Peter J. Taylor, Chair
John Nilon, Vice Chair
Jane W. Carney
Adam Day
Hugo N. Morales
Jorge Reyes Salinas
Lateefah Simon
Rebecca Eisen, Chair of the Board
Timothy P. White, Chancellor

Trustee Peter J. Taylor called the meeting to order.

Public Comment

Union, student, and faculty representatives spoke against increasing tuition and potential impacts to students.

Approval of Minutes

The minutes of the September 19, 2017 meeting were approved as submitted.

**Approval to Issue Trustees of the California State University Systemwide Revenue
Bonds and Related Debt Instruments for Projects at California State University,
San Bernardino and California State University, Stanislaus**

Trustee Taylor presented agenda item one as a consent action item. The committee recommended approval of the proposed resolution (RFIN 11-17-14).

2018-2019 Lottery Budget and Report

Trustee Taylor presented agenda item two as a consent action item. The committee recommended approval of the proposed resolution (RFIN 11-17-15).

Approval of the 2018-2019 Operating Budget Request

The proposed operating budget for the 2018-2019 fiscal year was presented. CSU Long Beach President Jane Coneley and Fresno State President Joseph Castro spoke about how funding received for the Graduation Initiative has improved services at their campus and benefited students.

Following the presentation, trustees commented that current funding levels are not adequate to sustain the university's operations and that options other than state funding must be considered. They asked questions related to reserves, mandatory costs, and priorities. Information about operating efficiencies and public-private partnership revenues was requested. Several trustees opined that a tuition increase should be the last consideration.

The committee recommended approval of the proposed resolution (RFIN 11-17-16).

Approval of a New Master Investment Policy for the California State University

Details of the CSU's new investment policy were presented, including information about a new, yet to be created, investment advisory committee.

The committee recommended approval of the proposed resolution (RFIN 11-17-17).

Trustee Taylor adjourned the meeting on Finance Committee.

COMMITTEE ON FINANCE

Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University, Los Angeles and California State University Maritime Academy

Presentation By

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

Summary

This item requests that the California State University Board of Trustees authorize the issuance of long-term Systemwide Revenue Bond (SRB) financing and related debt instruments, including shorter term and variable rate debt, floating and fixed rate loans placed directly with banks, and bond anticipation notes (BANs) to support interim financing under the CSU commercial paper (CP) program in an aggregate amount not-to-exceed \$73,215,000 to provide financing for the two campus projects below. The trustees are asked to approve the resolutions related to these financings.

1. California State University, Los Angeles Parking Structure E
2. California State University Maritime Academy Motel 6 Property Acquisition

Background

The SRB program provides capital financing for projects of the CSU – student housing, parking, student union, health center, continuing education facilities, certain auxiliary projects, and other projects, including academic facilities, approved by the CSU Board of Trustees. Revenues from these programs and other revenues approved by the board, including CSU operating funds, are used to meet operational requirements for the projects and to pay debt service on the bonds issued to finance the projects. The consolidated pledge of gross revenues to the bondholders strengthens the SRB program and has resulted in strong credit ratings and low borrowing costs for the CSU. Prior to issuance of bonds, some projects are funded through BANs issued by the CSU in support of its CP program. The BANs are provided to the CSU Institute, a recognized systemwide auxiliary organization, to secure the CSU Institute’s issuance of CP used to finance the projects. CP notes provide greater financing flexibility and lower short-term borrowing costs during project construction than long-term bond financing. Proceeds from the issuance of bonds are then used to retire outstanding CP and finance any additional costs not previously covered by CP.

1. California State University, Los Angeles Parking Structure E

The California State University, Los Angeles Parking Structure E project was presented for approval of the amendment of the Capital Outlay program and schematics at the November 2017 meeting of the Committee on Campus Planning, Buildings and Grounds. The project will be constructed on the western portion of parking lot 5 along Paseo Rancho Castilla and adjacent to existing parking structure C.

The new five-story, 640,000 gross square foot parking structure will include 2,200 parking spaces, primarily to replace parking that will be eliminated when a planned future student housing project is constructed on existing surface parking lot 7. Upon completion, the new parking structure will net 517 new additional stalls of which 417 will serve the new student housing. The project includes a walkway connecting it to parking structure C and a new 750 kW photovoltaic array will cover a large portion of the roof deck while providing shade for parking stalls at the top level. The project will be funded by parking revenues and reserves.

The not-to-exceed par amount of the proposed bonds is \$64,730,000, based on a total budget of \$62,224,000 with a contribution of \$3 million from parking reserves. Additional net financing costs, such as capitalized interest and cost of issuance (estimated at \$5,506,000), are expected to be funded from bond proceeds. The project is scheduled to start construction in April 2018 with completion expected in October 2019.

The following table summarizes key information about this financing transaction.

Not-to-exceed amount	\$64,730,000
Amortization	Approximately level debt service over 25 years
Projected maximum annual debt service	\$4,509,170
Projected debt service coverage including the new project:	
Net revenue – Los Angeles pledged revenue programs: ¹	1.70
Net revenue – Projected campus parking program:	1.11

1. Combines 2016-2017 information for all campus pledged revenue programs with 2020-2021 projections for the project.

The not-to-exceed amount for the project, the maximum annual debt service, and the financial ratios above are based on an all-in interest cost of 5.02 percent, which includes a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan assumes level amortization of debt service, which is the CSU program standard. The campus financial plan projects a parking program net revenue debt service coverage of 1.11 in fiscal year 2020-2021, the first full year of operations, which meets the CSU benchmark of 1.10 for the program. Combining the project projections for 2020-2021 with 2016-2017 actuals for all campus pledged revenue programs yields a campus net revenue debt service coverage for the first full year of operations of 1.70 which exceeds the CSU benchmark of 1.35.

2. California State University Maritime Academy Motel 6 Property Acquisition

The California State University Maritime Academy Motel 6 property acquisition is being presented to the trustees as a master plan revision, real property acquisition, and an amendment to the 2017-18 capital outlay program at its January 2018 Committee on Campus Planning, Buildings and Grounds meeting. The planned acquisition includes a 3.9-acre parcel of land with improvements including an existing Motel 6 with 145 guest rooms and 151 surface parking spaces. The property acquisition will extend the campus master plan boundary to the north of the campus and adjacent to Sonoma Boulevard (Highway 29). The facility will be renovated to meet current student housing demands, which may include converting rooms to double-room occupancy, and incorporating an administrative office, and/or academic space.

The not-to-exceed par amount of the proposed bonds is \$8,485,000 based on an estimated purchase price of \$8.3 million, renovation costs of \$655,000, and a campus contribution of \$900,000. Additional net financing costs, such as capitalized interest and cost of issuance (estimated at \$430,000), are expected to be funded from bond proceeds. The acquisition is currently being negotiated with an anticipated closing in the spring of 2018. The renovated facility is expected to be opened for student housing in the fall of 2018. While the authorization for SRB is being proposed, the project may be kept in commercial paper and amortized over a three to five year period and paid down with housing reserves derived from net income of the housing program. The proposed bond authorization will allow the CSU to retain the flexibility to issue long-term bonds to amortize the debt over 30 years if necessary. The project, including the repayment of related financing obligations, will be funded from the rental housing fees under the housing program.

The following table summarizes key information about this financing transaction.

Not-to-exceed amount	\$8,485,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	\$553,015
Projected debt service coverage including the new project:	
Net revenue – Maritime pledged revenue programs: ¹	2.03
Net revenue – Projected campus housing program:	2.11

1. Combines 2016-2017 information for all campus pledged revenue programs with 2019-2020 projections for the project.

The not-to-exceed amount for the project, the maximum annual debt service, and the financial ratios above are based on an all-in interest cost of 5.22 percent, which includes a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan assumes level amortization of debt service, which is the CSU program

standard. The campus financial plan projects a housing program net revenue debt service coverage of 2.11 in fiscal year 2019-2020, the first full year of operations, which exceeds the CSU benchmark of 1.10 for the program. Combining the project projections for 2019-2020 with 2016-2017 actuals for all campus pledged revenue programs yields a campus net revenue debt service coverage for the first full year of operations of 2.03 which exceeds the CSU benchmark of 1.35 for a campus but may be reduced by future campus borrowing.

Trustee Resolutions and Recommendation

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

1. Authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of related Systemwide Revenue Bond Anticipation Notes, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not-to-exceed \$73,215,000 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 assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes and the revenue bonds.

Approval of the financing resolutions for these projects as described in this Agenda Item 2 of the Committee on Finance at the January 29-31, 2018, meeting of the CSU Board of Trustees is recommended for:

California State University, Los Angeles Parking Structure E

California State University Maritime Academy Motel 6 Property Acquisition

COMMITTEE ON FINANCE

University Operational Effectiveness Initiatives

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Arun Casuba
Executive Director, Strategic Sourcing and
Chief Procurement Officer

Summary

The California State University challenges itself to continuously evaluate and improve its effectiveness and efficiency by reviewing programs, practices and processes that support the academic mission. Such efforts include exploring and implementing strategic procurement, simplifying and streamlining administrative processes, and organizing services in order to meet increasing workload associated with campus growth, student services, and compliance.

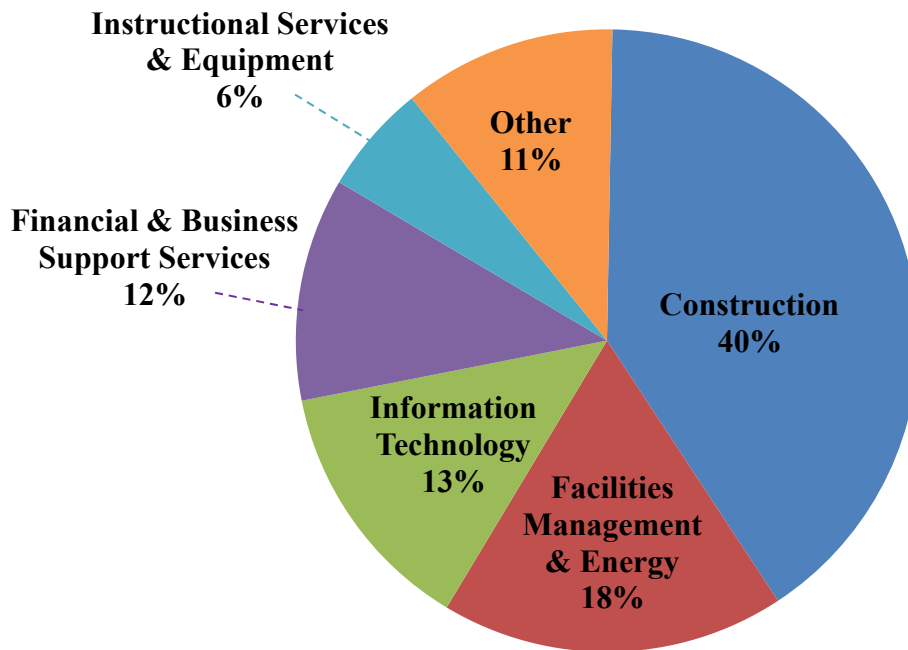
The CSU uses best value methods in purchasing goods and services to maximize benefits (cost, performance, service, etc.) to the institution. As student enrollment has grown and costs have increased for compliance, campuses continuously search for means to reduce cost while maintaining or improving quality. The size and scope of the CSU is leveraged through systemwide collaboration of activities. In addition, significant benefits are gained through the sharing of agreements with the University of California and California Community Colleges as well as leveraging consortia agreements. The CSU is committed to continuing this progress by developing resources, tools, and processes focused on strategic sourcing. This item provides an update on operational effectiveness initiatives since the presentation to the Committee on Finance in November 2016.

Breakdown of CSU Expenditures

This item is focused on the \$2.6 billion of the CSU's total expenditures (illustrated in Figure 1) that can be influenced by procurement and other administrative effectiveness initiatives. The remainder of the CSU's expenditures include salaries and wages, benefits, financial aid, and debt payments, which are addressed by other initiatives such as collective bargaining. The primary categories within the \$2.6 billion spend are construction, facilities management and energy, and information technology. Together these categories comprise over seventy percent of this spend.

In addition, other key spend areas include financial and business support services and instructional services and equipment. Categories within the remaining spend include communications and outreach, retail and wholesale, arts, sports and recreation, food, beverage, and catering.

Figure 1 – CSU Procurement Related Spend in 2016-2017



Current Initiatives

Many initiatives have been pursued to reduce costs while maintaining or improving the ability to deliver the core educational services of the University.

Construction is a significant area of spend and several methods have been developed to improve efficiencies in the management of construction projects at the campuses.

- The CSU has sponsored legislation that allows campuses to solicit project bids on a website and achieve savings that would have otherwise been spent on print advertising. This initiative has netted the CSU \$4.6 million in cost reductions per year.
- Previously the CSU had been piloting a new construction delivery method that utilizes one bid process to execute multiple projects at a single campus or across several campuses. This method has been implemented systemwide and has resulted in a savings of time, project efficiencies, and cost reductions to the CSU of over \$4 million per year.

- The CSU developed an Owner Controlled Insurance Program for construction contractors that could not provide their own insurance. To date, we have enrolled more than \$1.2 billion in construction value and generated savings of \$8.8 million. A renewal of this program is underway which will result in an additional \$900,000 in savings.

In the areas of energy and sustainability, the CSU has also been able to achieve savings or cost avoidance.

- The CSU has negotiated and purchased directly from energy providers rather than from local utilities at 10 of the 23 campuses. This initiative has rendered \$3 million in annual cost reductions.
- Other energy efficiency projects have resulted in \$2.9 million per year in incentives earned from energy efficiency partnerships with Southern California Edison and Pacific Gas & Electric, and \$1.2 million per year in cost avoidance.
- The CSU developed an energy information system to analyze building energy use to gain insight into energy waste. Such a system helps implement appropriate waste mitigation strategies and prioritize capital improvements related to energy management.
- In addition, the CSU has developed a program for energy futures, buying electricity for 10 campuses and the Chancellor's Office at \$3 million per year in savings. This program will be expanding to nine additional campuses next year.

This year, through leveraged buying, the University has reduced costs by \$2 million in facilities products for maintenance, repair, and operations, as well as \$2.6 million in medical supplies and lab equipment.

In the area of information technology, the CSU has delivered significant cost reductions through a number of initiatives.

- The CSU Common Network Initiative provides equipment and related services to ensure that every campus has a robust communications infrastructure. The University has avoided over \$7.5 million in cost per year since fiscal year 2011-2012 as a result of common standards, practices, and sound project management processes.
- In addition, \$15.7 million in costs were avoided this year through negotiations of systemwide hardware purchases and licenses on software purchases.
- The CSU bid out the systemwide data center this year and achieved savings of \$1.8 million per year over the next five years by utilizing a combination of a physical data center and utilization of cloud services.
- A partnership between the CSU and Amazon Web Services was created and a Collaboration Center is being developed at the Cal Poly San Luis Obispo campus. This partnership is providing the CSU \$5 million in credits for cloud innovation projects and has avoided \$8 to \$10 million in data center construction costs at the Cal Poly San Luis Obispo campus.

We have undertaken several initiatives in the finance and business support category to reduce operational costs.

- An average annual cash flow savings of \$1.0 million for the CSU during fiscal years 2017/18 through 2044/45 through the refinancing of debt.
- The CSU Risk Management Authority, which coordinates insurance and risk management across the 23 campuses and over 80 auxiliary organizations, has reduced overhead on insurance acquisition resulting in a savings of \$12.5 million annually and has reduced campus premiums by nearly \$13 million a year for the past 11 years.
- Through the negotiation of systemwide agreements for financial auditors, bank card services, and office supplies and printers, the CSU achieved \$8 million in cost reductions in 2017.
- The CSU has also created a common shopping website for catalog based purchasing. This system, driven at the campus level, ensures compliance with contracted rates for a number of goods by funneling purchases for these items through 24 vendor catalogs and has resulted in over \$1 million in cost avoidance this year.
- The CSU is piloting a budget planning system at three campuses utilizing a common set of practices and reporting that can be leveraged to serve other campuses in the future.
- The CSU is also rolling out a travel expense management system across six campuses and the Chancellor's Office harmonizing policies where appropriate. This implementation can be leveraged to serve other campuses in the future.
- The CSU and the UC are collaborating on a strategic sourcing suite that will provide visibility of spend, contracts, and projects across the 33 campuses of both systems with a combined spend of \$8-9 billion annually. This system will allow collaboration between individual campuses, groups of campuses, or entire systems across both the CSU and UC and provide more focused targeting of opportunities. It will be rolling out in February 2018. We will be seeking to include California Community Colleges in the future.
- The CSU bid for a systemwide recruiting tool that will provide enhanced capabilities for applicants, recruiters, and hiring managers. Currently campuses utilize a variety of tools and use of this single tool will result in \$200,000 per year in savings.

The University has focused considerable resources to be more effective in providing the proper infrastructure and delivering services to students geared towards assisting them in achieving their educational goals.

- The CSU has coordinated the purchasing of electronic library resources across the system to avoid \$15.9 million in costs per year.
- We have consolidated contracts for academic technology systems and standardized on learning management systems to net \$5.9 million in cost reductions this year. These include for student support including: online education services, clicker response systems, and Cal State Apply (a unified system to centralize student admittance applications across the CSU campuses).

- The CSU, California Community Colleges, and University of California collaborated to create a free and open library of eTextbooks for over 50 courses at www.cool4ed.org. The CCC and CSU are collaborating on a faculty development program for the adoption of free and open educational sources for course materials for teaching and learning. \$1M in grant funding was acquired to release another \$1M in state funding for the COOL4Ed project.
- The CSU has created Affordable Learning Solutions to assist in reducing the cost of textbooks and other learning resources to students. The solutions include free online instructional materials that faculty can use to construct the curriculum, free online materials that are formatted like eBooks, free access to campus and systemwide electronic library collections, and lower cost proprietary content in both electronic and hard copy formats.
- We have contracted for a systemwide student retention and success tool that will help campuses improve student retention, timely graduation, outreach, advisor support, and interventions focused on undergraduate students. Each campus will have the ability to configure the tool to support their specific student population.

Sustainable Procurement

The CSU is continuing to improve its sustainable practices in purchasing.

- For example, we participate in the State Agency Buy Recycled Campaign, which is a joint effort by California's Department of Resources Recycling and Recovery, and Department of General Services. This campaign requires that agencies place 50 percent of their spend in 11 specific categories on recycled products. On its general product purchases the CSU achieved 77 percent in aggregate and exceeded 50 percent in 6 of the 11 categories. In the future, we will be working towards collecting data for construction purchases as well.
- The CSU instituted a minimum purchase order of \$50 in office supplies to minimize deliveries, and several campuses have moved towards reducing the number of delivery days to further aggregate purchasing and reduce carbon emissions.
- The CSU implemented an auto substitution program for office supplies that replaces items in certain categories such as toners and paper with more sustainable alternatives. This change has resulted in improved sustainability as well as \$400,000 in savings per year.
- Where appropriate, the CSU has utilized criteria around sustainable practices in evaluating proposals from bidders for projects, and we will continue to seek opportunities to further this process.

Future Initiatives

The CSU will continue to explore more opportunities for reducing costs and enhancing effectiveness including:

- Expanding the use of cloud services from Amazon, Microsoft, Oracle, and others.

- Pursuing multi-campus opportunities including further rolling out and expanding functionality of the campus marketplace, budget planning system, and travel expense management system.
- Researching creative methods for buying energy.
- Focus on coordinated bid projects such as centralized facilities maintenance contracts for solar energy and chillers and centralized purchasing of wireless products.
- Work with the UC and CCC systems to collaborate on the use of common contracts such as for building supplies, furniture, and bankcard services.
- Collaborations with the UC on the strategic sourcing suite and will explore other opportunities.
- Continue to develop and standardize best practices across the CSU.

Factors such as reduced funding, increase in enrollment, the need to reduce time to graduation, and changing regulations continue to apply increasing pressure on the system, however, the CSU is committed to make use of its resources in the most effective ways. The University will continue to look for better methodologies to operate and achieve cost reductions wherever possible, while still maintaining our commitments to the students, faculty, and staff of the CSU and the State.

COMMITTEE ON FINANCE

2018-2019 Operating Budget and Consideration of Expenditure and Revenue Options

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Ryan Storm
Assistant Vice Chancellor
Budget

Summary

The purpose for this item and subsequent presentation is to provide the trustees with the latest developments on the state and the California State University (CSU) budget plans for 2018-2019 and to consider CSU expenditure and revenue options. In short, state tax revenue is expected to grow over the next two years, but the governor's budget proposal from earlier this month did not match the previous funding commitment made to the CSU. Specifically, the governor's administration proposed a \$92.1 million increase, \$10 million less than indicated in May 2017. As a result, a budget gap of \$171 million exists between the trustees' budget request and the governor's proposal.

Consequently, the CSU is concurrently taking two significant approaches. The CSU's first priority and commitment is to make the case with state leaders that additional investment in the CSU is in the best interest of the state and students. The result is outside CSU's control with state leaders making the final decision. The other approach is to use CSU-controlled strategies—a potential tuition increase and a potential reduction to academic and non-academic programs and services. These two are not desirable strategies. However, it may be necessary to make use of these strategies to balance the CSU budget plan and to ensure that gains in student success and student access, realized since the end of the Great Recession, do not stall or diminish.

CSU Funding Progress since the Great Recession

Since the state began reinvesting in the CSU in 2013-2014, the CSU has been able to do more for students and the state. As an example, improvements in many key student success indicators such as graduation rates, retention rates, number of graduates, average unit loads, and average time to degree are better than ever. With their degrees in hand, students will, and CSU alumni do, personally benefit from greater earnings potential over the course of their professional careers.

Many students and alumni have saved time and money by finishing their degrees a term earlier than would have been possible during the Great Recession. One reason for this was the CSU's investment of nearly \$200 million (\$123 million recurring and \$73 million one-time funds) in student success and completion initiatives like Graduation Initiative 2025. The CSU anticipates that more can be accomplished if a multi-year, recurring investment in the initiative were to occur.

Another example is additional student access. Since the economic recovery, the CSU has increased funded student enrollment by over 31,000 full-time equivalent students, which is equivalent to creating two new CSU campuses—one the size of CSU San Bernardino and the other CSU Chico. This increase helps California in at least two ways. First, the number of high school students, particularly Latino/Latina students, who prepared themselves for CSU eligibility by completing the A-G course requirements has skyrocketed over the past decade. By offering additional student access in this way, the CSU is able to serve more of these college-ready Californians. Second, additional student access translates to more Californians with degrees—a critical need of the state, as suggested in the Public Policy Institute of California's anticipated 1.1 million degree drought.

The last example is faculty and staff salary enhancements. Since 2013-2014, CSU has regularly provided annual salary increases to all employees. This helps employees meet or slightly beat the effects of inflation, improves morale, improves retention and aids in recruitment of faculty and staff who teach, support, and care for students. Between 2008-2009 and 2012-2013 this was not possible. No salary increases occurred during that stretch and in 2009-2010 all employees were furloughed two days per month, equivalent to a ten percent salary reduction.

California's Fiscal Outlook

CSU's progress since the Great Recession has the potential to continue because the state's fiscal outlook is positive for 2018 and 2019. As the state's economy and budget go, so goes the CSU's budget and outlook. Since the trustees' November 2017 meeting, three reputable entities have published forecasts for California's economy and the resulting effect on the state budget—the Legislative Analyst Office (LAO) California Fiscal Outlook in November 2017, the University of California, Los Angeles Anderson Forecast in December 2017, and the Department of Finance 2018-2019 Governor's Budget in January 2018. All three forecasts conclude solid economic growth in calendar year 2018 and slightly less substantial, but positive growth in 2019. The associated growth in employment, real personal income, and other factors are expected to yield greater tax receipts primarily in personal income taxes in 2018. Similar factors are expected to persist in 2019 except for slightly less robust job growth and stock market gains.

To illustrate the short-term positive fiscal trajectory, the LAO's California Fiscal Outlook from November 2017 anticipates state revenues will outpace planned expenditures, resulting in a \$7.5 billion discretionary state surplus at the end of 2018-2019. The more guarded short-term fiscal trajectory provided by the Department of Finance in the release of the Governor's Budget on

January 10, 2018 reported a \$5.9 billion increase in state revenues for 2018-2019, a 4.6 percent increase. In May 2018, revisions to these revenue estimates will certainly change, but it appears likely that the state will have a significant amount of revenue that could be used for discretionary purposes such as filling the rainy day fund faster than required or investing more in CSU students.

The major difference in the fiscal outlooks is the level of growth by tax category, and the amount added to the rainy day fund, but all agree that California's economy will continue to grow. The timing of a future recession remains unknown at this time, but historic economic patterns suggest that a mild or moderate recession will affect the federal and state economies in the coming years.

One significant difference from past recessions compared to the next is that in past recessions the state had little or no reserves as it entered these recessions. For the next recession, the state already has approximately \$8.5 billion in its rainy day fund, which would grow to \$13.5 billion, or ten percent of the state's annual operating budget, if the governor's latest proposal is adopted by the legislature. This reserve should significantly soften the blow of the next recession.

Regardless of the differences in the economic forecasts today, the state is on track to receive more tax revenue in 2018 and 2019. The state also has a substantive reserve to mitigate the risk of hard economic times. This condition should allow for increases in state program expenditures (like the CSU) and could help the state save even more for future economic uncertainty.

Governor's Budget Proposal—State Overview

The Governor's Budget proposal anticipates a budget surplus and proposes to save a portion and spend the rest. As noted earlier, the Department of Finance reports \$5.9 billion of additional state revenue for 2018-2019. Of this amount, the Governor's administration proposes to deposit \$5 billion in the state's rainy day fund—a mix of mandatory and voluntary deposits—and maintain a \$2.3 billion discretionary reserve fund for unexpected budget purposes or emergencies. New investments are modest for higher education. Community colleges would benefit from a fully funded Proposition 98 guarantee, and the governor would create a fully online community college from that funding stream. Additionally, the K-12 Local Control Funding Formula would be fully funded by Proposition 98 two years earlier than scheduled. The Governor would invest new dollars in infrastructure, health care program caseload growth, state employee salary increases and health and pension rate changes, and court operations. Overall, the governor's approach is to maintain the status quo in spending and to save as much as possible through the rainy day fund.

Governor's Budget Proposal—Significantly Smaller New Investment in CSU Means a Significant CSU Budget Gap

The CSU 2018-2019 operating budget plan calls for continued and increased state investment in the CSU. This budget plan, which totals \$282.9 million in new resources, would address a modest

amount of necessary new investments in the CSU by sustaining the momentum built in recent years. The budget plan is comprised of a request of \$263.0 million in state general fund and \$19.9 million of tuition revenue from enrollment growth. The five areas of investment are:

- the second year of Graduation Initiative 2025;
- significant funding for compensation increases for all employee groups;
- enrollment growth of one percent, or 3,641 full-time equivalent students;
- investment in critical infrastructure; and
- mandatory cost increases for health care, minimum wage and retirement.

The CSU 2018-2019 operating budget plan would be a step in the right direction and represents a significant investment in a multi-year effort to help meet the education and workforce needs of the state. Yet, without increased investment from the state, the CSU cannot meet its obligations to the people of California or its mission to provide a high-quality, affordable, and accessible education to all students.

The governor's budget proposal continues to invest more in higher education, although not at the level requested by the trustees. Specifically, the governor's budget proposes a recurring augmentation of \$92.1 million of state general fund. The gubernatorial administration's preference is that these funds be used to make progress on the graduation initiative. Because state general fund supports approximately half of the CSU's operating budget, this increase represents a 1.4 percent operating budget increase and much less than the 2.8 percent inflation rate forecasted for California. Also notable is that the governor's proposed new investment in the CSU has decreased considerably since last year's proposal. Specifically, the governor proposed \$157.2 million for 2017-2018 compared to \$92.1 million for 2018-2019—\$65.1 million less than a year ago.

In sum, the proposed funding from the governor is significantly short of the CSU's operating budget request of \$263 million of state general fund, leaving a \$171 million budget gap for 2018-2019.

Closing the Budget Gap

While it is unfortunate that the governor has chosen at this stage to not invest more in the CSU, it is still very early in the budget development process and approaches and strategies remain open for state leaders, trustees, the chancellor, and campus leaders. Two financially significant approaches can materially affect and narrow the 2018-2019 budget gap and they are under consideration. However, due to the asynchronous budget cycle and certain statutory requirements, final decisions on these will not and cannot occur simultaneously. Following are the two approaches and their anticipated timing.

Approach A: Seek Additional State Funding

The CSU's first priority and commitment is to make the case with lawmakers and the governor that additional investment in the CSU is necessary and in the best interest of the state and students. The CSU will need the support of its constituents and partners across the system to make the case in Sacramento. With the historic gains made in four-year and six-year graduation rates, the success that campuses have had in providing students with opportunities to increase social mobility, and the state's need for more college graduates, arguments for increased state funding have never been stronger. CSU advocacy efforts will undoubtedly make compelling arguments, but state leaders will make the final decision on state funding levels of the CSU and the state allocation will not be known until a final budget agreement is reached in June 2018.

Approach B: In Lieu of Additional State Funding, Pursue CSU-Controlled Strategies

If our advocacy efforts do not end with full funding of the CSU budget request by the state, a combination of CSU-driven strategies will have to be concurrently implemented just to address mandatory and employee compensation costs, which together total \$153 million. This total excludes new investments for student access, Graduation Initiative 2025 and academic infrastructure. Under this particular scenario, the governor's proposal would only cover \$92.1 million of compensation and mandatory costs leaving a gap that would need to be covered by a combination of the following strategies. In order for these concurrent strategies to be useful for the 2018-2019 fiscal and academic year, CSU planning decisions will need to be made this spring and summer.

A Potential Tuition Increase

On November 21, 2017, the CSU Chancellor's Office provided a written tuition proposal to the California State Student Association (CSSA), included as Attachment A to this item. The proposal provides additional information on: the justification for a potential tuition increase, the purposes for which tuition revenue would be used, the potential financial impact to students, a description of efforts to mitigate the impact on financially-needy students, alternatives in lieu of a potential tuition increase, and potential systemwide tuition and fee rate changes for the 2018-2019 academic year.

A potential tuition increase of \$228 per resident undergraduate student would take the annual tuition price from \$5,742 per student to \$5,970. Coupled with potential increases to non-resident tuition, as well as graduate, doctoral, and teacher credential programs, the potential tuition increase would generate approximately \$69.8 million of new revenue in 2018-2019 to support the operating budget plan and \$34.9 million to increase state university grant funding. While the funding raised from a potential tuition increase would not fully fund the \$171 million budget gap, it would allow for some investments to be made in critical areas.

In addition to delivering the proposal to the CSSA, information about the proposal was posted to <http://www.calstate.edu/tuition-adjustment> to help students and their families plan accordingly. The site provides information about the possible tuition increase, potential tuition rate increases, financial aid resources, and other information. The site also provides the opportunity for students, their families, and anyone else to comment on the proposal. The trustees may consider approving a tuition increase in March and comments received on the site will be summarized for their consideration.

An alternative to adopting a single-year tuition increase could be a multi-year approach. Such an approach has been recommended by CSU and the state. In 2016, the Chancellor's Task Force for a Sustainable Financial Model for the CSU recommended that the CSU move away from the past practice of large and unpredictable tuition spikes and move toward a practice of smaller, planned tuition adjustments over time. The task force report concluded that when combined with increases in state general fund, modest tuition increases ensure the CSU's academic quality and fiscal stability. Also, small, planned tuition increases will allow students and their families to budget appropriately. On many occasions in the recent past, the Legislative Analyst's Office has made similar recommendations for similar reasons.

Reduce Academic and Non-Academic Programs and Services

If advocacy efforts do not secure the full operating budget request and if tuition is not increased, many priority areas of the operating budget request would be reduced or eliminated and campuses would have to redirect funding from existing programs, services, and priorities to fund mandatory cost obligations and employee compensation increases.

The Chancellor's Office has met regularly with campus leaders to prepare budget reductions in the event that additional state funds are not procured and a tuition increase is not approved. Based on the preliminary work in this area, there are very real, significant risks to reaching system and campus goals of the Graduation Initiative as well as the potential for very personal, catastrophic losses to many prospective and current students, as well as university faculty and staff. This includes the availability of fewer course sections, a decrease in student enrollment, fewer students receiving financial aid, limits to academic counseling and psychological well-being counseling services, and negative impacts on the operations and maintenance of central plant facilities, the delivery of utilities (heat, air, water, and electricity), classroom maintenance, and library services. Depending on the blend of potential reductions that could be employed by campuses, thousands of prospective and current students could be impacted by potential reductions in enrollment, course offerings, and available financial aid, and the livelihood of hundreds of temporary faculty and staff could be jeopardized.

Cost Avoidance, Efficiencies & Program Reallocations

Efforts by the Chancellor's Office and every campus to identify and employ administrative efficiencies and effectiveness will continue to be a high priority. Each year, inflation and other price increases have an effect on each campus' bottom line. Chancellor's Office staff estimate that inflationary cost increases over the past five years exceeded \$46 million. It is anticipated that these costs will increase further by \$17.4 million for 2018-2019.

The CSU will continue to pursue cost avoidance strategies and administrative efficiencies to be good stewards of state and tuition resources as well as address as many unfunded cost increases as possible. Campuses and the Chancellor's Office make decisions annually to redistribute budgets to cover increased costs, pursue and implement efficiencies and cost sharing across the system, and reallocate from under-utilized programs to the most pressing needs of the campus and system (for more information on accomplishments and future initiatives in this area, see Committee on Finance Agenda Item 3).

However, it is important to manage expectations and dispel misconceptions about improved efficiency and effectiveness. Past successes have yielded, on average, savings of tens of millions of dollars per year, but remaining opportunities are marginal in value. As a result, any savings opportunities that could culminate in 2018-2019 would not significantly narrow the \$171 million budget gap.

The details of the concurrent approaches and strategies required for closing the budget gap will be discussed in more detail at the trustees' January 2018 meeting.

Conclusion

Since the end of the Great Recession, the CSU has made significant gains in bolstering student success, improving time to degree, improving student access for first year and community college students, providing faculty and staff with necessary and well deserved salary increases, and addressing infrastructure needs and the deferred maintenance backlog. Those successes have only been possible because of greater state investment and revenue from the 2017-2018 tuition increase.

According to economic forecasters, the state will continue on its positive fiscal trajectory in calendar years 2018 and 2019. The Governor's Budget proposal affirms this and concludes that more revenue is available for mandatory and discretionary purposes. Unfortunately, the governor's current budget proposal does not align with the trustees' budget request and a funding gap of \$171 million exists between trustee priorities and proposed state funding.

Consequently, the CSU will concurrently pursue two approaches in an attempt to narrow or completely close the budget gap: seek additional state funding from lawmakers and the governor, and pursue revenue enhancement strategies, including a tuition increase. The possibility for campus budget reductions is real and, if necessary, will negatively impact the student experience and jeopardize built-in momentum that could under mind the goals of the Graduation Initiative, including improved time-to-degree and affordability, greater graduation rates, and narrowed equity gaps.

FOR CONSIDERATION
2018-19 TUITION
PROPOSAL:
PREPARED FOR THE
CALIFORNIA STATE
STUDENT ASSOCIATION
November 21, 2017

In accordance with the Working Families Student Fee Transparency and Accountability Act

Contents

The California State University (CSU) is initiating consultation with the California State Student Association (CSSA) about a possible tuition increase as part of the 2018-19 operating budget. If approved, the increase would take effect in the 2018-19 academic year.

In keeping with the timeline and requirements of the *Working Families Student Fee Transparency and Accountability Act*, the following information is included for consideration and to begin conversations as part of the consultative process with the CSSA.

The *Working Families Student Fee Transparency and Accountability Act* is codified in Sections 66028 through 66028.6 of the California Education Code. The act requires the CSU to consult with the CSSA before any increases to mandatory systemwide tuition are considered by the Board of Trustees (Board) and to ensure transparency in the process. The following areas are addressed in this proposal:

- 1) The justification for a potential tuition increase including facts supporting the increase
- 2) A statement specifying the purposes for which revenue from the potential increase would be used
- 3) A description of efforts to mitigate the impact of any potential tuition increase on financially-needy students
- 4) The potential impact to students including but not limited to:
 - a. Changes to the minimum workload burden for all students
 - b. Institutional financial aid awards
 - c. Average student loan debt
- 5) Alternative proposals that could be considered in lieu of a potential tuition increase

To orient the reader, each section of this document is numbered and identified according to the five required pieces identified above.

In addition to this required information, the CSU also provides the following:

- Potential Systemwide Tuition and Fee Changes for the 2018-19 Academic Year
- Timeline

1) JUSTIFICATION FOR A POTENTIAL TUITION INCREASE

Context

Every graduate has his or her own success story, and all 3.4 million CSU alumni are contributing to California’s economic prosperity and social mobility. The CSU is widely acknowledged by policymakers and the public as one of the most important drivers of California’s economy and society. To ensure that the CSU can continue to fulfill this role—while maintaining diversity, academic quality and rigor—investment is needed.

Unfortunately, state investment in support of the CSU has moved from approximately 80 percent in the mid-1990s to closer to 55 percent by 2017-18, with the remaining revenue provided almost entirely by tuition and fees. In spite of this fiscal trend, the CSU has remained committed to providing all of its students a high-quality education and admitting qualified students from California’s high schools and community colleges.

The CSSA has been a dedicated partner advocating with the CSU for increased state investment. Over the last five years, these advocacy efforts have coincided with an important increase in state tax revenues, which recovered by \$39.1 billion between the low point of the recession and today. It was not until 2016-17 that the CSU eclipsed the prerecession state funding levels of 2007-08—despite serving 20,000 additional students annually.

Also over the past five years, the CSU consistently made operating budget requests that would reinvest in our most critical priority areas. However, only once in the last five years since the worst days of the recession has that request been fully funded. Put another way, the state did not fund a total of \$577.7 million of recurring funding requested by the CSU since the recovery began (see below figure).

Fiscal Year	Governor's Budget	CSU Request	Final State Budget	Unfunded
2013-14	\$125.1	\$371.9	\$125.1	\$246.8
2014-15	142.2	237.6	142.2	95.4
2015-16	119.5	216.6	216.5	0.1
2016-17	139.4	241.7	154.0	87.7
2017-18	157.2	324.9	177.2	147.7
2018-19	102.0	263.0		
2019-20	105.0			
Total	\$890.4	\$1,655.7	\$815.0	\$577.7

in millions

Going forward, based on information from the governor’s administration, the governor will likely propose a three percent general fund increase for the CSU. This is down from five percent or four percent proposals in each of the previous five years. This proposed increase represents an increase of \$102 million to the CSU operating budget for 2018-19, or roughly a one and a half percent to the total

operating budget. This would be less than the projected rate of inflation, as reported this fall by the state Department of Finance.

The CSU anticipates limited new funding by the governor and it is one event in a confluence of events that has led to this proposed tuition increase. Other events—in particular, necessary obligations and new investments—coupled with state funding, are critical to sustain the capacity and maintain the quality of the student learning environment. Graduation Initiative 2025 commits to improving graduation rates and narrowing equity gaps over a multi-year period, but this can only be achieved by similarly investing funds over a multi-year period into new academic and support programs for students. This means investing in the people of the CSU with modest salary and benefit cost increases to keep up with inflation, as our faculty and staff are at the very core of serving our students academically and with essential academic and well-being support. Likewise, the state no longer pays for CSU infrastructure and deferred maintenance needs and thus require an ongoing portion of the annual CSU operating budget. Indeed, a safe, clean, functional, educationally-appropriate learning environment is critical to students, the faculty that teach them, and the staff that serve them. Minimal student enrollment growth is critical to build course capacity for new and ongoing students.

Students have regularly expressed their desire to improve their educational experiences and many student priorities have influenced and are aligned with CSU budget priorities. For example, the CSSA's 2017-18 Public Policy Agenda calls for an affordable, safe, inclusive, equitable, and supportive CSU educational experience. For that vision to come to fruition, it will require sustained, recurring investment in the university that, at a minimum, meets or slightly exceeds the rate of inflation. To put it another way, in order to balance all of the necessary investments and to more appropriately support the capacity and quality of the entire student learning environment, an operating budget increase of four percent—not one and a half percent as is currently signaled by Sacramento—is necessary.

The state's continued limited and incremental investment will result in a significant difference between the CSU's proposed operating budget increase of \$282.9 million—based on clearly identified university, student and state needs—and the governor's likely proposal. Without new, ongoing investment, course-taking opportunities for students will stall or diminish, faculty and staff salaries will stagnate leading to more difficulty in recruiting and retaining highly capable individuals, facilities will degrade, and the overall educational experience will ebb.

2018-19 CSU Operating Budget

Each September, the Board considers the CSU's preliminary operating budget request and identifies funding priority areas. A final operating budget request is brought before the Board in November for approval and is then submitted to the governor and legislature for their consideration.

At the November 7-8, 2017 Board of Trustees meeting, the Board approved a 2018-19 operating budget request to the state that identified five key priority areas that will require an additional \$263 million from the state. At this time, the CSU anticipates the governor will propose \$102 million in new funding to the CSU in his January budget proposal. Including other new revenue and efficiencies, this leaves a funding gap of \$161 million between anticipated revenue sources and the necessary investments at the university.

Board of Trustees Priorities:

- I. *Graduation Initiative 2025:* The CSU is committed to improving the opportunities for the more timely graduation for all students, including doubling the four-year graduation rate from 19 percent to 40 percent and achieving a 70 percent six-year graduation rate. To meet these goals, the CSU will continue to invest in people, programs, technologies, and strategies that have demonstrated success in improving graduation rates, shortening time-to-degree, and eliminating achievement and equity gaps. Each campus has developed multi-year plans to reach their Graduation Initiative 2025 goals. These campus plans will require multi-year investments across the system in tenure-track faculty hiring, increased course-taking opportunities, enhanced advising and education plans, academic and student support including health and well-being, and leveraging data for campus decision-making. The 2018-19 fiscal year represents the second year of a 6-year, \$450 million investment plan in support of the many underlying elements of Graduation Initiative. Over the course of this second year of the Graduation Initiative 2025, campuses would spend incremental recurring funding on their local priorities to improve student success and completion.
- II. *Academic Facilities & Campus Infrastructure:* Leading-edge academic facilities support quality degree programs setting the stage for CSU graduates to be workforce ready and equipped to excel in their chosen field. CSU campuses have several of these academic and laboratory spaces, but a significant portion of CSU facilities are dated and need improvement. Specifically, fifty-two percent of all CSU buildings are more than forty years old and the systemwide deferred maintenance backlog for these and other facilities total approximately \$2 billion. While the CSU has maintained its buildings as best it could with available funding, the state historically funded most of the costs associated with the construction and maintenance of academic buildings and campus infrastructure. The state shifted this obligation to the CSU in 2014, making facilities and infrastructure a significant consideration when developing and implementing the CSU operating budget. Dedicating a portion of the CSU operating budget to facilities and infrastructure is essential to address the most pressing facility and infrastructure needs on campuses.

- III. *Employee Compensation:* Central to the student experience is the ability to interact, learn from and be guided by outstanding faculty and staff. The CSU is proud of the thousands of its employees who are dedicated to students and their success. Modest compensation increases are a significant priority for the CSU to remain competitive to recruit and retain outstanding faculty, staff and administrators who are committed to students' well-being and academic success.

- IV. *Mandatory Costs:* Mandatory costs are the expenditures in the operating budget that increase annually due to inflation and other state, federal or statutory mandates that apply to the CSU and must be paid. These include increases in the cost of health care and retirement for employees, changes in state wage laws—including a multi-year incremental increase in the minimum wage—and the increased cost of operating and maintaining new facilities. Without funding for mandatory cost increases, campuses would have to make cuts and redirect resources from other program areas to meet these obligations.

- V. *Enrollment Growth:* The CSU confers the most baccalaureate degrees in the state and contributes to the California workforce in significant ways. Increased enrollment funding contributes to new sections of high-demand courses, hiring new tenure-track and temporary faculty, providing more academic and student support services, and bolstering overall institutional support and operation of the campus to serve existing and additional students. With a total student body of more than 480,000 students, the CSU continues to see increased demand from qualified applicants each year. New incremental funding would allow for growth in the average unit load for continuing students in support of graduation rate goals, and a steady number of new students admitted and served.

Possible Tuition Proposal for Consideration

To ensure the university has all revenue options available to meet its 2018-19 priorities, the CSU must begin a conversation about a potential tuition increase. That process begins with this notification and its submittal to the CSSA.

In the coming months, consideration of this tuition proposal by the Board will align with the CSU's shared governance model and there will be appropriate consultation with, and feedback from, the CSSA and other CSU stakeholders. The CSU also will engage with the CSSA, Academic Senate and other stakeholders to collaboratively advocate for full funding of the CSU's operating budget request.

The state budget cycle is asynchronous from the planning decisions of the CSU, as well as the planning that current and potential students must undertake to prepare for the 2018-19 academic year. Specifically, the outcome of the 2018-19 budget cycle will not be known until June 2018. To provide students and families adequate time to plan and to ensure the CSU is in alignment with the law, the administration, the Board and all constituents must begin a conversation regarding tuition. It is anticipated that this consultation period will include an information item at the January 2018 Board meeting and an action item at the March 2018 Board meeting. The tuition increase would take effect during the 2018-19 academic year.

The potential tuition increase is \$228 per resident undergraduate student for the 2018-19 academic year. This would take the annual tuition price from \$5,742 per student to \$5,970. Coupled with potential tuition increases to teacher credential, graduate, and doctoral programs, the potential increase would generate approximately \$69.8 million in new net revenue in 2018-19 to support the Board's budget priorities described above. State University Grant (SUG) funding would grow by almost \$35 million to accommodate eligible students' additional need resulting from a tuition increase.

Separately, the CSU proposes a greater tuition increase for non-resident students than proposed for resident students. The potential non-resident tuition increase of \$30 per unit would change the per-unit semester price from \$396 to \$426 (\$20 per-unit quarter price from \$264 to \$284), or \$900 for a full-time undergraduate non-resident student for the 2018-19 academic year. For full-time non-resident students, this would increase the supplemental fee from \$11,880 to \$12,780. The potential increase would generate approximately \$20.7 million of new revenue in 2018-19.

[Note: Notwithstanding the differential dollar and tuition rates proposed by level of education, for simplicity and illustration purposes only, we use a potential \$228 increase and a potential annual tuition price of \$5,970 per resident undergraduate student throughout this proposal.]

2) PURPOSED USE OF INCREASED TUITION REVENUES

The state general fund and student tuition and fees are the two primary revenue sources that support the educational endeavors of more than 480,000 CSU students. The current operating budget is made up of approximately 55 percent from state general funds and 45 percent from student tuition and fees.

State funding and tuition revenue support general operations of the university including instruction, academic support, student services, institutional support, operations and maintenance of academic facilities, and institutional financial aid.

The Board adopted an operating budget request for 2018-19 at its November 2017 meeting that would invest new resources in top priority areas described earlier and summarized below.

After this budget plan is submitted for the state's consideration, it is the responsibility of the governor and legislature to determine the amount of state general fund for the CSU. Subject to final Board decisions, and subsequent action by the governor and legislature on the CSU budget, revenue generated by a tuition increase would be used to partially support the categories of incremental expenditures in the table below.

2018-19 Budget Plan	
Incremental Expenditure Increases	
	In Millions
Graduation Initiative 2025	\$75.0
Enrollment Growth: 3,641 FTES	39.9
Employee Compensation	122.1
Academic Facilities & Infrastructure Needs	15.0
Mandatory Costs	30.9
Total	\$282.9
<i>Other Inflationary Cost Increases</i>	17.4
Anticipated Incremental Revenue Increases	
General Fund:	
Governor's Anticipated Funding Plan	\$102.0
Tuition Revenue:	
Tuition from Enrollment Growth	19.9
Potential Tuition Increase	69.8
Total	\$191.7
<i>Cost Avoidance, Efficiencies & Program Reallocations</i>	17.4
CSU Remaining Need	\$91.2

3) and 4) POTENTIAL IMPACT TO STUDENTS AND MITIGATION OF IMPACT ON STUDENTS WITH FINANCIAL NEED

The CSU remains committed to keeping costs as low as possible for students. More than 60 percent of all CSU undergraduates have their tuition fully covered by grants and waivers. Eighty percent of all CSU students receive some form of financial assistance. The CSU does not expect these percentages to change as the result of a modest tuition increase.

State Grants and Waivers

A student who receives a Cal Grant tuition award would not be affected by a potential tuition increase because the award amount for this state program is designed to pay the entire tuition cost. This would include students utilizing the California Dream Act Application. Similarly, a student who receives a state-mandated tuition fee waiver would not be affected by the potential tuition increase because these state programs are also designed to waive the entire cost of tuition.

Institutional Grants

The State University Grant (SUG) is available to undergraduates, teacher credential candidates, and graduate students. A student who receives a full SUG would not be affected by a potential tuition increase because this CSU-administered institutional aid program waives the entire tuition cost. For students who do not receive the maximum award to cover the full tuition cost and absent any other financial aid, SUG may cover the potential increase in tuition. However, individual SUG awards vary for each student. CSU doctoral programs and graduate business professional programs also offer need-based grant programs similar to SUG. As part of the potential tuition increase, SUG funding would grow by almost \$35 million to accommodate eligible students' additional need resulting from a tuition increase.

Federal Aid

The maximum full-time Pell Grant award for 2017-18 is \$5,920. Any changes to 2018-19 Pell award amounts are not known at this time. If tuition were increased by an additional \$228 per year, CSU tuition would be \$5,970, which means a resident undergraduate student who qualifies for the maximum Pell Grant award would have all but \$50 of the cost of tuition covered by this program. At the CSU, most resident students who are eligible for a full Pell Grant also qualify for the Cal Grant or SUG. For those students, the cost of tuition would still be fully covered by non-loan aid.

For those students who qualify for the Cal Grant or SUG, the Pell grant may be used for non-tuition expenses including campus-based fees, books, and other living expenses.

Pell Grant award amounts can vary based upon income and enrolled units. For students who do not receive the maximum award, and absent any other financial aid, the Pell Grant may partially cover the potential increase in tuition.

Loans

Loan programs can also be used to cover all tuition costs for a student. Based on CSU financial aid packaging policies in which grants and waivers are applied first, and loans second, it is unlikely that student loan debt would increase materially, if at all, in order to pay for a potential tuition increase.

Financial Aid Awareness

The CSU will continue its commitment to informing students and families of the availability of financial aid. Each campus maintains a robust internet site that provides information to students and families. Campuses will continue to communicate with students on a regular basis with reminders and notices of key application periods and deadlines. Information will continue to be available via the admission application site (i.e., Cal State Apply) and calstate.edu. Campuses will also provide information as part of student outreach, the admission process, and orientation events as well as provide workshops both on and off campus to prospective and current students and their families.

Employment

CSU financial aid packaging policies do not include or establish a minimum workload expectation for students. A student may work to cover tuition and other college-related expenses and if he or she qualifies, can participate in the federal work-study programs for this purpose. For students who work to meet their full cost of attendance, at the minimum wage of \$11 per hour during the latter half of 2018 and at \$12 per hour during the front half of 2019, a resident undergraduate student would need to work approximately 25 additional hours per academic year— equivalent to less than 0.5 hour per week—to cover a \$228 increase in tuition (assuming taxes and other withholdings).

Student Indebtedness

While 49 percent of all CSU students graduate with some loan debt for college-related expenses, the amount of the debt is substantially lower than the California and national average, as shown in the table below.

AY 2014-15	Amount of Debt
National Average	\$30,100
California Average	\$22,191
CSU Average	\$15,531

Average indebtedness would increase only slightly if a student needs to borrow additional funds to cover the potential tuition increase. For example, if a student borrows an additional \$228 a year for four years of enrollment (total \$912), the anticipated monthly payment upon graduation would increase by approximately \$10.50, based on a maximum interest rate of 6.8 percent (currently 4.45 percent) and a standard 10-year repayment schedule. Based on similar terms and conditions, if a student borrowed an additional \$228 a year for six years of enrollment (total \$1,368), the anticipated monthly payment would increase by approximately \$15.75. With these changes included, average indebtedness at the CSU would continue to be significantly lower than the California average or national average.

5) ALTERNATIVES FOR ADDRESSING THE OPERATING BUDGET SHORTFALL

The CSU has four primary options as alternatives for addressing its fiscal priorities in the coming year. These options are not mutually exclusive and may be combined in varying proportions by the end of the budget process. In general, the four options are described below.

Option A: Increase state funding to cover the full operating budget request

The CSU's first priority and commitment is to make the case with lawmakers that additional investment in the CSU is necessary and is in the best interest of the state and students. The CSU will work with partners across the system including students, faculty, staff, business, union leaders, alumni, and friends to make the case in Sacramento. With the historic gains made in four-year and six-year graduation rates, the success that campuses have had in providing students with opportunities to increase social mobility and the state's need for more college graduates, arguments for increased state funding have never been stronger. While additional state funding is the preferred option, the state allocation will not be known until a final budget agreement is reached in June 2018.

Option B: Increase tuition to partially cover the operating budget request while continuing to advocate for more state funding

A potential tuition increase of \$228 per resident undergraduate student would take the annual tuition price from \$5,742 per student to \$5,970. Coupled with potential increases to non-resident tuition, as well as graduate, doctoral, and teacher credential programs, the potential tuition increase would generate approximately \$69.8 million of new revenue in 2018-19. While the funding raised from a potential tuition increase would not fully fund the operating budget request, it would allow for some investments to be made in critical areas, coupled with continued advocacy efforts in Option A to fully fund the operating budget request.

Option C: Cost Avoidance, Efficiencies & Program Reallocations

Efforts by the Office of the Chancellor and every campus to identify and employ administrative efficiencies and effectiveness will continue to be a high priority. Each year, inflation and other price increases have an effect on each campus' bottom line. For the most part, annual operating budget requests address these types of increases on salaries and benefits through the mandatory costs category described above. However, in recent years, campuses have not received annual funding increases to cover inflationary costs in areas such as communications, information technology, contractual services, library subscriptions and instructional equipment. Chancellor's Office staff estimate that inflationary cost increases over the past five years exceeded \$46 million. It is anticipated that these costs will increase further by \$17.4 million for 2018-2019.

Above and beyond efforts to address regular inflationary pressures, the CSU will continue to pursue cost avoidance strategies and administrative efficiencies to be good stewards of state and tuition resources as well as address as many unfunded cost increases as possible. Campuses and the Chancellor's Office make decisions annually to redistribute budgets to cover increased

costs, pursue and implement efficiencies and cost sharing across the system, and reallocate from under-utilized programs to the most pressing needs of the campus and system.

However, it is important to manage expectations and dispel misconceptions about improved efficiency and effectiveness. Past successes have yielded, on average, savings of tens of millions of dollars per year, but remaining opportunities are marginal in value. As a result, any savings opportunities that could culminate in 2018-19 would not significantly narrow the \$161 million budget gap identified in the 2018-19 Operating Budget Request.

Additionally, CSU will continue to examine ongoing investments to ensure they are in line with the mission of the university so that the money invested in CSU by the state and students is spent thoughtfully and with student success at its core. For example, recently enacted law authorizes the CSU to invest in securities that yield a higher rate of return than fixed income securities. The Board established an investment advisory committee in November 2017 and the committee is developing a master investment policy as well as investment portfolios. The goal is to soon move a portion of CSU funds into those portfolios, earn a better rate of return, and use those returns on deferred maintenance or critical infrastructure needs, which is a key piece of student success. To do so then allows CSU to use more of the operating funds for direct academic offerings and support.

Option D: In lieu of additional state funding or a potential tuition increase, reduce programs and services, both academic and non-academic

The CSU's required financial obligations, along with critical priorities like the Graduation Initiative and enrollment growth, far exceed the amount of funding signaled from the governor's office for 2018-19. If advocacy efforts do not secure the full operating budget requests, and if tuition is not increased, many priority areas of the operating budget would be reduced or eliminated because campuses would have to redirect funding from existing programs, services and priorities to fund a portion of mandatory cost obligations and employee compensation increases. Fewer course sections would be available to students, average unit load would go down and less academic and student support services would be available.

POTENTIAL SYSTEMWIDE TUITION AND FEE CHANGES FOR THE 2018-19 ACADEMIC YEAR

Undergraduate, Credential and Graduate Programs

Table 1 shows the current and potential maximum tuition levels for undergraduate, credential, and graduate programs.

Table 1: Undergraduate and Graduate Tuition Changes for the Academic Year

	Current	Proposed	Change
Undergraduate Programs			
6.1 or more units	\$5,742	\$5,970	\$228
0 to 6.0	3,330	3,462	132
Credential Programs			
6.1 or more	6,660	\$6,924	264
0 to 6.0	3,864	4,014	150
Graduate and Other Post-Baccalaureate Programs			
6.1 or more	7,176	\$7,608	432
0 to 6.0	4,164	4,410	246

Summer rates would increase beginning with the summer 2019 term.

Doctoral Programs

The table below shows the current and potential maximum tuition rates for the three doctoral programs offered by the CSU.

Table 2: Doctoral Program Tuition Per Academic Year

	Current	Proposed	Change
Doctor of Education	\$11,838	\$12,546	\$708
Doctor of Nursing Practice	15,270	16,188	918
Doctor of Physical Therapy	17,196	18,228	1,032

Tuition for the Doctor of Physical Therapy program is mandated by state law (Education Code 66042.1) to be no higher than that of the University of California (UC).

The tuition for the Doctor of Education program is mandated by state law (Education Code 66040.5) to be no higher than the rate at the UC.

The law does not limit the tuition that may be assessed for the CSU Doctor of Nursing Practice program and does not link the CSU tuition and UC tuition and fees for doctoral nursing programs.

Non-Resident Students

Non-resident tuition is in addition to applicable systemwide tuition. Table 3 shows the current and potential maximum per semester and per quarter unit rates for non-resident students.

Table 3: Non-Resident Tuition

	Current	Proposed	Change
Semester Campus	\$396	\$426	\$30
Quarter Campus	264	284	20

Graduate Business Professional Program

The Graduate Business Professional Fee is in addition to applicable systemwide tuition. The Board resolution authorizing this fee requires that whenever the Board takes action to adjust tuition for graduate students, the same adjustment will be made to the Business Professional Fee. Table 4 shows the current and potential maximum per semester and per quarter unit rates.

Table 4: Graduate Business Professional Fee

	Current	Proposed	Change
Semester Campus	\$270	\$282	\$12
Quarter Campus	180	188	8

TIMELINE

Date	Action
Nov 21, 2017	<i>California State Student Association</i> -- Provide tuition proposal to student representatives
Nov 30, 2017	<i>California State Student Association</i> -- Hold consultation meeting with student representatives to discuss tuition proposal
Jan 30 – 31, 2018	<i>Trustees</i> -- Information Item -- Hold public meeting to consider tuition proposal
Mar 20 – 21, 2018	<i>Trustees</i> -- Action Item -- Hold public meeting to consider adopting tuition proposal
May 2018	<i>Campuses</i> -- Implement tuition increase in billing statements for continuing students for the 2018-19 academic year (if adopted)
June 2018	Outcome of 2018-19 state budget process
July 2018	Campus allocations made based on final budget decisions and available resources
Aug–Sept 2018	Fall 2018 classes begin

All dates and actions align with requirements of the *Working Families Student Fee Transparency and Accountability Act*.

AGENDA

COMMITTEE ON GOVERNMENTAL RELATIONS

Meeting: 2:00 p.m., Tuesday, January 30, 2018
Glenn S. Dumke Auditorium

J. Lawrence Norton, Chair
Douglas Faigin, Vice Chair
Silas H. Abrego
Adam Day
Debra S. Farar
Jean P. Firstenberg
Lillian Kimbell
Thelma Meléndez de Santa Ana
Jorge Reyes Salinas
Romey Sabalius
Lateefah Simon

- Consent** 1. Approval of Minutes of the Meeting of September 20, 2017, *Action*
- Discussion** 2. State Legislative Update, *Information*
3. Federal Update, *Information*

**MINUTES OF THE MEETING OF
COMMITTEE ON GOVERNMENTAL RELATIONS**

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

September 20, 2017

Members Present

J. Lawrence Norton, Chair
Silas H. Abrego
Adam Day
Rebecca D. Eisen, Chair of the Board
Debra S. Farar
Jean P. Firstenberg
Lillian Kimbell
Thelma Meléndez de Santa Ana
Jorge Reyes Salinas
Lateefah Simon
Steven G. Stepanek
Timothy P. White, Chancellor

Trustee Norton called the meeting to order.

Approval of Minutes

The minutes of July 18, 2017, were approved as submitted.

Legislative Update

Mr. Garrett Ashley, vice chancellor for university relations and advancement, reported that the legislative session concluded last Friday, and there are more than 700 bills awaiting the governor's signature or veto.

Ms. Nichole Muñoz-Murillo, director of state relations, provided an overview on notable developments in Sacramento during the final months of the session and gave an update on board-sponsored bills and legislation that could impact the CSU.

Trustee Norton adjourned the meeting.

COMMITTEE ON GOVERNMENTAL RELATIONS

State Legislative Update

Presented By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Kathleen Chavira
Assistant Vice Chancellor
Advocacy and State Relations

Summary

The second half of the 2017-2018 session begins with a number of significant changes in the Legislature. The Senate awaits an impending change in leadership as Senate Pro Tempore Kevin de Leon has announced that Senator Toni Atkins will assume the position of Senate Pro Tempore in 2018. Senator Atkins has previously served as Assembly Speaker and as an ex-officio CSU Trustee. While Speaker Rendon continues in his role as the leader of the Assembly, several changes in the leadership and membership of Assembly committees have been announced as a handful of Assemblymembers have resigned from their elected offices. These resignations have also resulted in the loss of the Democratic supermajority, but it could be regained in June, when special elections will be held to fill these vacancies.

The Legislature formally reconvened on January 3 and, consistent with the rules of each house, has until January 31 to pass any bills introduced in 2017 (two-year bills) out of the house of origin. This will be the final opportunity for these bills to advance during this legislative session. At the same time, members continue to develop proposals for consideration in 2018 and have until February 16 to introduce any new legislation. Any new bills introduced are eligible to be heard by policy committees in each house beginning in March.

This report provides an update on bills introduced in the first year of the session that are still active and that have the greatest potential impact on the CSU.

This report is organized as follows:

1. Active Senate Bills
2. Active Assembly Bills

All bill summaries are accurate as of January 17, 2018.

Active Senate Bills

SB 183 (Lara) – State Buildings: Federal Immigration Agents

This bill prohibits federal immigration enforcement agents, officers, or personnel from entering a building owned by the state, including the California State University, in order to perform surveillance, effectuate an arrest, or question an individual, without a valid federal warrant.

- **CSU Position:** Pending
- **Status:** This two-year bill is awaiting action on the Senate Floor.

SB 244 (Lara) -- Privacy: Agencies: Personal Information

This bill restricts the manner in which any state entity, including the CSU, can utilize and keep personal information received from an applicant for public services or programs.

- **CSU Position:** Support
- **Status:** This bill is on the Assembly Inactive File.

SB 320 (Leyva) -- Public Health: Postsecondary Education: On Campus Student Health Centers: Abortion by Medication Techniques

This bill requires the CSU and UC campuses' health centers to offer abortion by medication to its students by January 2022, if adequate private funding has been collected by the State Treasurer's Office. The Treasurer and a newly created council are responsible for ensuring training and medical equipment are provided to each campus that requests support through a grant proposal process. While community colleges and other private universities are not mandated to provide this service, they may seek a grant after the CSU and UC campuses are funded for this purpose.

- **CSU Position:** Pending
- **Status:** This two-year bill is on the Senate Appropriations Committee Suspense File.

SB 573 (Lara) – Student Financial Aid: Student Service Programs

This bill authorizes the three segments of public higher education to provide student service programs for students in exchange for grants, fee waivers and reimbursements.

- **CSU Position:** Neutral
- **Status:** This bill is on the Assembly Inactive File.

SB 577 (Dodd) – Community College Districts: Teacher Credentialing Programs of Professional Preparation

This bill expands the authority to offer professional preparation for teacher credentialing programs to include campuses of California Community Colleges.

- **CSU Position:** Oppose
- **Status:** This bill was set but never heard by the Assembly Higher Education Committee.

SB 691 (Lara) – Educational Equity: Immigration Status

This bill adds “immigration status” to the list of characteristics for which equal rights and opportunities are provided at postsecondary educational institutions in California.

- **CSU Position:** Pending
- **Status:** This two-year bill will be heard by the Senate Appropriations Committee on January 18.

SB 769 (Hill) – CCC Baccalaureate Degree Pilot Program

This bill extends the sunset date of the California Community College Baccalaureate Degree Pilot Program from 2023 to 2028.

- **CSU Position:** Neutral
- **Status:** This bill was held in the Assembly Appropriations Committee.

Active Assembly Bills

AB 387 (Thurmond) -- Minimum Wage: Health Professionals: Interns

This bill requires all allied health (non-nursing) students be paid California's minimum wage for clinical hours that are needed to complete their degrees. This would increase costs for our allied health programs, reduce access to required clinical placements and could result in the reduced production of allied health workers.

- **CSU Position:** Oppose
- Status: This two-year bill is on the Assembly Inactive File.

AB 809 (Quirk-Silva) – Veterans' Priority Registration for Enrollment

This bill requires priority registration for enrollment for members and former members of the Armed Forces of the United States and the State Military Reserve be applied notwithstanding any other law.

- **CSU Position:** Tracking
- Status: This two-year bill will be heard by the Assembly Appropriations Committee on January 18.

AB 847 (Bocanegra) – Academic Senates: Membership

This bill requires the Academic Senate to post its membership on its website and to also make the demographic information on their membership, including, race, gender and ethnicity available on request.

- **CSU Position:** Neutral
- Status: This bill was set but never heard by the Senate Education Committee.

AB 1062 (Levine) – Trustees of the CSU

The bill allows the second non-voting student member of the Board of Trustees the right to vote as a full member of the Board. The bill also adds an additional faculty member to the Board.

- **CSU Position:** Tracking
- Status: This bill is on the Senate Inactive File.

AB 1231 (Weber) California State University: Support Staff Merit Salary Adjustment

This bill requires the California State University to provide all eligible support staff employees with an automatic merit salary adjustment of 5 percent annually.

- **CSU Position:** Oppose
- Status: This two-year bill will be heard by the Assembly Appropriations Committee on January 18.

AB 1435 (Gonzalez Fletcher) – Student Athletes: The College Athlete Protection Act

This bill creates the Athletic Protection Commission, an 11-member body appointed by the Assembly, Senate and the Governor, with the goal of protecting student athletes. The commission will be funded by fees paid by participating institutions. The commission would have the ability to enact regulations and penalties that could include civil penalties, temporary or permanent employment prohibition in higher education, or other penalties imposed by the commission.

- **CSU Position:** Oppose
- **Status:** This bill was set but never heard by Senate Business, Professions and Economic Development Committee.

COMMITTEE ON GOVERNMENTAL RELATIONS

Federal Update

Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

James M. Gelb
Assistant Vice Chancellor
Federal Relations

Summary

This item provides an update on significant developments related to the system's 2017-2018 federal priorities. Information is current as of January 11, 2018.

Background

Last year, the Board approved a Federal Agenda encompassing six broad areas of priority:

- Improve College Access and Completion through Aid to Students
- Prepare Students for College
- Foster Degree Completion for California's Diverse Population
- Educate Students for Tomorrow's Workforce
- Solve Societal Problems through Applied Research
- Enhance Campus Infrastructure, Health and Safety

Consistent with these priorities, the CSU was particularly active in four key federal issue areas in 2017: seeking funding for priority programs; engaging on tax reform legislation; advocating to protect Dreamers; and preparing for the reauthorization of the Higher Education Act.

Funding for Key Programs

This past May, as part of an omnibus spending bill for Fiscal Year 2017, the Congress passed and the president signed legislation to reinstate the Year-Round Pell program on a permanent basis. Restoring Year-Round Pell had been the CSU's top legislative priority for the past several years, and CSU leadership and sustained efforts on this issue made a significant difference. The CSU successfully pushed the broader higher education community to prioritize Year-Round Pell

in ways it previously had not, and raised the level of understanding about the program on the Hill and beyond. In addition, Chancellor White partnered with the University of California and California Community Colleges to promote restoration, and jointly carried the message to senior leaders in Washington with SUNY Chancellor Nancy Zimpher.

Other key CSU priorities were to ensure that Year-Round Pell is available to part-time students as well as full-time students, and that no existing Pell-eligible students lose any benefits as part of renewing Year-Round Pell. The legislation met both of these objectives.

The same omnibus spending measure also included relatively good news on funding of CSU priority programs. For the most part, resources for key Education Department programs were the same or very similar to the previous year. A couple of priority programs, including GEAR UP and TRIO, received increases. The omnibus also provided funding for a cost-of-living increase in the maximum Pell Grant for the 2017-2018 school year. With regard to CSU priorities outside of the Education Department, level funding was provided for the USDA's Education Grants for Hispanic-Serving Institutions program and the Capacity Building for Non Land-Grant Colleges of Agriculture program. Similarly, stable funding was provided to NSF's Louis Stokes Alliance for Minority Participation (LSAMP) program and Robert Noyce Teacher Scholarship program.

Despite the fact that Fiscal Year 2018 began on October 1, 2017, funding for the federal government across all departments remains unsettled, as the Congress struggles to reach a deal on spending limits and priorities. The CSU has been advocating for the Congress to lift tight caps that currently restrict both defense and non-defense spending, robust funding for priority programs, and preserving any surplus funds currently in the Pell program for future needs or enhancements to Pell.

Tax Reform Legislation

Major federal tax reform legislation (HR 1) was enacted in December 2017. While its primary purpose was to overhaul corporate and individual tax rates, the Congress considered several troubling proposals that directly targeted higher education, and others having a significant impact on CSU institutions, students, employees and alumni. During the debate over HR 1, CSU advocacy focused particularly on protecting a range of higher education tax benefits for students and employees that had been proposed for elimination; supporting provisions that encourage charitable giving; and preserving two categories of tax-exempt bonds utilized to support capital improvement projects that were proposed for repeal (advance refunding bonds and private activity bonds).

Because HR 1 was designed to be passed with only Republican votes, CSU advocacy efforts were aimed heavily at California Republicans, including through numerous joint Hill meetings with University of California (UC) colleagues and a joint letter from the CSU, the UC and

California Community Colleges. These efforts were constructive, and the final version of HR 1, while far from ideal, did reflect some relief on CSU priority issues. In a big victory, the final legislation retained all of the student and employee benefits that had been proposed for repeal or limitation. CSU goals on the bond finance provisions saw partial success, as tax exempt status was retained for private activity bonds but not for advance refunding bonds. Efforts by the CSU and others in the non-profit community to promote enactment of a universal, above the line credit for charitable donations were unsuccessful. Because HR 1 doubles the standard deduction, which shrinks the number of taxpayers who would benefit from itemizing charitable donations, the bill's effects on charitable giving remain a subject of serious concern.

Protecting Dreamers

In September, the Trump administration announced that it would rescind the Obama administration's Deferred Action for Childhood Arrivals (DACA) program. The administration cited its belief that the creation of the program by the Executive Branch, as opposed to the Congress, was illegal. At the time, the president called on Congress to "legalize DACA."

Since then, the CSU has engaged on this issue extensively, through outreach to members of Congress and the administration, collaborative endeavors with others in the higher education community, and public affairs efforts that highlight the contributions of Dreamers at the CSU. A key focus has been on garnering support from California Republicans. Chancellor White has also met with Senate Democratic Leader Schumer and House Democratic Leader Pelosi.

While numerous bills have been introduced and many members of Congress on both sides of the aisle would like to see a long-term solution enacted for Dreamers, the timing and terms of any final deal remain uncertain. On the timing front, the president's March 5, 2018 termination date for the DACA program continues to define the sense of urgency for many on Capitol Hill. There has been a push, primarily by Democrats, to connect an agreement on Dreamers to a spending deal that would raise existing caps on spending for Fiscal Years 2018 and 2019.

On January 9, 2018, a federal court issued an injunction temporarily stopping the Department of Homeland Security from terminating the DACA program. The injunction applies nationwide.

Reauthorization of the Higher Education Act

The Higher Education Act (HEA) was first enacted in 1965 "to strengthen educational resources of our colleges and universities and to provide financial assistance for students in postsecondary education." Last reauthorized in 2008, the HEA is now past due for renewal.

During the past year, the CSU has outlined its major reauthorization priorities on the Hill. These include putting the Pell Grant program on long-term sustainable footing, and indexing the maximum grant to inflation; reforming the Supplemental Opportunity Educational Grant (SEOG) and Work-Study programs' outdated funding formula to better target resources to needy students at campuses serving large numbers of low-income individuals; and ensuring that both mandatory and discretionary funding streams for minority-serving institutions, such as Hispanic-Serving and Asian American and Native American Pacific Islander-Serving Institutions, are maintained.

In December, House Republicans on the Committee on Education and the Workforce took an initial step in the long reauthorization process by passing HR 4508, the PROSPER Act (Promoting Real Opportunity, Success, and Prosperity through Education Reform). Drafted without Democratic input, the bill includes many provisions of great concern, along with some good pieces. Major concerns include proposals to eliminate the Supplemental Educational Opportunity Grant (SEOG) and the in-school interest subsidy for undergraduate student loans; elimination of the Teacher Quality Partnership program and the TEACH grant scholarship, programs that currently enhance CSU efforts to prepare high-quality teachers in high-need fields; ending a vital mandatory funding stream for minority-serving institutions; and capping funds for TRIO programs at lower than existing levels while imposing a new match requirement on program participants. Positive concepts include creating a fairer distribution formula for Work-Study funds and eliminating student loan origination fees. The road ahead in the House is uncertain, though committee leadership wants to bring the bill to the floor early this year.

In the Senate, members of the Health, Education Labor and Pensions (HELP) committee will write their own bill. Because the Senate generally needs 60 votes to pass legislation, it typically works to produce bi-partisan measures, especially in the education realm, meaning its proposal will look vastly different from the House effort, particularly with regard to hot button issues. The Senate process will also be slower, given the HELP committee's plans to hold a number of hearings before producing a proposal and crowded committee and floor agendas.

AGENDA

COMMITTEE ON EDUCATIONAL POLICY

Meeting: 3:00 p.m., Tuesday, January 30, 2018
Glenn S. Dumke Auditorium

Lillian Kimbell, Chair
Jorge Reyes Salinas, Vice Chair
Silas H. Abrego
Jane W. Carney
Douglas Faigin
Debra S. Farar
Jean P. Firstenberg
Thelma Meléndez de Santa Ana
John Nilon
J. Lawrence Norton
Romey Sabalius

- Consent** 1. Approval of Minutes of the Meeting of November 7, 2017, *Action*
- Discussion** 2. Enrollment Management, *Information*
3. Recommended Amendment to Title 5 Regarding Exemption from Nonresident Tuition, *Information*
4. The Wang Family Excellence Awards, *Information*

**MINUTES OF MEETING OF
COMMITTEE ON EDUCATIONAL POLICY**

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

November 7, 2017

Members Present

Lillian Kimbell, Chair
Jorge Reyes-Salinas, Vice Chair
Silas H. Abrego
Jane W. Carney
Rebecca D. Eisen, Board Chair
Douglas Faigin
Debra S. Farar
Jean Picker Firstenberg
Thelma Meléndez de Santa Ana
John Nilon
J. Lawrence Norton
Timothy P. White, Chancellor

Trustee Kimbell called the meeting to order.

Approval of Minutes

The minutes of September 19, 2017 were approved as submitted.

Teacher Preparation

Marquita Grenot-Scheyer, assistant vice chancellor, Teacher Education and Public School Programs, presented the information item. She spoke about the CSU's role in preparing California's educator workforce and the actions the university is taking to address the state's ongoing teacher shortage, including providing multiple pathways into teaching, targeted recruitment, financial assistance, candidate preparation, program evaluation and professional development.

As part of the presentation, Andrea Alonzo, a student at CSU Long Beach, spoke about her participation in Teacher TRAC, a pipeline program that transitions students from Cerritos Community College into CSU Long Beach's teacher education program. Additionally, President Robert Nelsen highlighted several teacher recruitment initiatives at Sacramento State, including EduCorps, a program designed to increase significantly the number and diversity of students entering CSU teacher preparation programs.

Following the presentation, trustees asked questions related to CSU-specific initiatives, including EduCorps and K-12 partnerships. Questions also covered credential programs, including CalStateTEACH, and what the CSU offers in regards to "emergency credentials" or credentials for individuals with teaching experience. Staff highlighted efforts to recruit mid-career professionals into the classroom and ongoing professional development opportunities for individuals teaching with emergency credentials.

Enrollment Management

Nathan Evans, chief of staff and senior advisor for Academic and Student Affairs, introduced the information item. He noted that the 2017-18 California state budget called on the CSU to adopt policies related to two enrollment management topics and indicated that the purpose of this presentation was to familiarize the board with the topics and issues related to enrollment management as a foundation on which to base the new policies.

April Grommo, director of enrollment management services, provided an overview of strategies campuses use to maximize student access to courses and academic support. She also provided an overview of impaction, the enrollment management tool of last resort, which occurs when an undergraduate major, program or campus receives applications from more eligible applicants than can be accommodated given available resources. Finally, she spoke about redirection, a process in which the CSU sends the application of a student who cannot be accommodated at an impacted campus to another campus.

Following the presentation, trustees asked questions about impaction, including if it has an effect on campus diversity. Staff highlighted local admission areas, pipeline programs and other initiatives aimed at ensuring the CSU maintains a diverse student body. Trustees also asked about redirection, seeking more information on how campuses are chosen to receive redirected students and how many students enroll following redirection.

Basic Needs Initiative

Loren Blanchard, executive vice chancellor for Academic and Student Affairs, introduced the information item, highlighting the CSU's past research on food and housing insecurity among students and its ongoing commitment to addressing these issues, and other issues that impact students' personal and academic growth.

Denise Bevly, director of Student Wellness and Basic Needs Initiatives, provided an overview of the Basic Needs Initiative, and indicated that the presentation would focus primarily on food and housing insecurity. She presented five key areas on which the Office of the Chancellor is focused, including addressing students' immediate needs, working with campuses to grow services, developing strategies to expand best practices from a single campus to across the system, collaborating with stakeholders and embedding resources into campus practices to ensure long-term sustainability.

Following the presentation, trustees asked about other components of the Basic Needs Initiative, including mental health. Staff confirmed that while this presentation focused on food and housing insecurity, a future presentation would focus on mental health services. Trustees also asked for clarification on how the funds allocated under Senate Bill 85 would be distributed to campuses. Staff clarified that a Request for Proposal will be released and campuses will be able to apply for funding.

Graduation Initiative 2025

Loren Blanchard, executive vice chancellor for Academic and Student Affairs, introduced the information item, providing a progress update based on new systemwide graduation data. The data show that in the 2016-17 academic year, nearly 99,000 CSU students earned their bachelor's degree, an all-time high for the CSU, with an additional 7,000 graduates compared to the previous year.

James Minor, assistant vice chancellor and senior strategist for Academic Success and External Partnerships provided an overview of recent policy changes, Executive Order (EO) 1100-Revised and Executive Order 1110. The revisions to EO 1100 provide clarity in General Education requirements, promote equitable application of requirements for students and facilitate degree completion. EO 1110 aims to improve assessment and placement, strengthen the Early Start Program and ensure that all students are able to begin earning college credit on day one, while receiving needed academic support.

Ed. Pol.
Agenda Item 1
January 29-31, 2018
Page 4 of 4

Jeff Gold, assistant vice chancellor for Student Success Strategic Initiatives presented two new studies related to Graduation Initiative 2025. The first study, “Redefining Historically Underserved Students in the CSU,” provides a better understanding of equity gaps at the CSU. The second study, “Student Benefits of the CSU Graduation Initiative 2025,” quantified the benefits to students once the Graduation Initiative goals have been accomplished.

Following the presentation, trustees discussed the recent policy changes and asked questions about faculty consultation and impacts to CSU ethnic studies courses. Staff stressed that the revised policy did not explicitly address ethnic studies courses, and that faculty and administrators who have inquired about the policy changes have been provided plausible pathways to enable the retention of ethnic studies graduation requirements under the revised policy.

Trustee Kimbell adjourned the Committee on Educational Policy.

COMMITTEE ON EDUCATIONAL POLICY

Enrollment Management

Presentation By

Nathan Evans
Chief of Staff
Academic and Student Affairs

April Grommo
Director of Enrollment Management Services
Student Academic Services

Summary

The 2017-18 California state budget act requires the California State University (CSU) Board of Trustees to adopt policies, by May 15, 2018, that are designed to mitigate against the effects of impaction by: (i) requiring campuses to give priority to local CSU-eligible applicants seeking to enroll in impacted programs; and (ii) redirecting all CSU-eligible applicants to non-impacted campuses if not initially admitted.

At the September and November 2017 Board of Trustees meetings, information items were presented on the main governing structures of enrollment management and specific enrollment management tools—including campus strategies to maximize student access to courses and academic support, impaction and redirection.

This information item presents draft policy proposals for the board's consideration on first priority for local applicants in impacted programs and redirection.

Background

CSU campuses use a combination of enrollment management strategies to maximize student access to courses and support services, regardless of whether the campus is impacted. However, once these strategies are no longer sufficient for managing enrollment, a campus may request to declare impaction. Impaction is declared when a major, program or campus receives applications from more eligible applicants than can be accommodated given the resources of a program or campus.

The California Master Plan, coupled with CSU executive orders dating back to 1966, address capacity and the need to ensure that all students have access to higher education. Title 5, section 40650, reads in part, “admission to a campus shall be limited on the bases of authorized academic plans and programs, and the number of students for whom facilities and competent staff are available to provide opportunity for an adequate college education.”

Impaction is a campus’ last choice in managing enrollment; however, it is a necessary tool when student demand regularly outpaces resources. Without impaction to control enrollment at entry, continuing students would not have sufficient access to the classes needed to graduate. They would also lack access to timely advising, counseling, mentoring and tutoring due to high student to staff ratios. Declaring impaction enables campuses to ensure that the quality of the student learning experience is not negatively affected.

Development of Proposed Policies

The CSU Admission Advisory Council meets regularly, advising the chancellor about admission issues and reviewing systemwide admission policy and practices to ensure compliance with Board of Trustees policy and state statute. The council consists of:

- Two campus presidents;
- One provost/vice president for Academic Affairs;
- One vice president for Student Affairs;
- One assistant vice president for Academic Affairs;
- Five faculty members (including three representatives from the Academic Senate CSU, one representative from the CSU Math Council and one representative from the CSU English Council);
- Two representatives from the Office of the Chancellor; and
- One representative from the California State Student Association.

Due to its subject matter expertise and representative membership, the Admission Advisory Council was tasked with consulting on the development of the draft policy proposals to respond to the policy requirements included in the 2017-18 state budget act. The directors of Admission and associate vice presidents of Enrollment Management were consulted for input on the policies, and drafts were reviewed by the Council of Presidents, CSU provosts and CSU vice presidents of Student Affairs as well as the Academic Preparation and Educational Programs Committee of the Academic Senate of the California State University.

The following summary outlines the proposed systemwide policies on first priority for local applicants in impacted programs and redirection that were endorsed by the Admission Advisory Council.

Impacted Program First Priority Proposal

Background

At present, the majority of campuses provide local applicants limited admission priority to impacted programs. Impacted campuses currently use additional criteria such as:

- Requiring SAT or ACT scores of all first-time freshman applicants regardless of grade point average (GPA) in order to rank by index;
- Rank-ordering first-time freshmen based on their eligibility index score and setting a higher index for admission;
- Requiring completion of specific major preparation courses for upper-division transfers;
- Rank-ordering transfer students based on transferable GPA and major preparation; and
- Evaluating other factors for specialized programs (e.g. portfolio, audition, audio or video files).

Impacted Program First Priority Proposal

Under the new proposal, every impacted program at each CSU campus would provide first priority to local applicants. *First priority* means a finite admission advantage for local applicants. At a minimum, this priority would include a meaningful weighting of GPA or eligibility index that gives admission preference to local, CSU-eligible undergraduate applicants over non-local applicants.

Campuses would be required to clearly publish their *first priority* applicant criteria on their impacted programs website. Publishing the *first priority* criteria would become part of each campus' annual impaction plan. Any change to existing procedure would be subject to the annual impaction process and would comply with section 89030.5 of the California Education Code.

Local applicants would continue to be subject to the same supplemental impaction criteria imposed on other applicants who apply to impacted campuses and programs, specifically major preparation for transfer students and high school preparation for first-time freshmen.

Campuses would be required to: (a) inform first-time freshmen who are not admitted to their local CSU campuses about their California community college options; and (b) encourage these applicants to transfer to a CSU in the future.

Redirection of CSU-Eligible Undergraduate Applicants to Non-Impacted Campuses

Background

In 1997, Executive Order 673 established specific procedures for redirection and defined redirection as follows:

Redirection is a process that ensures applicants for admission who cannot be accommodated at their first-choice campus in their designated major(s) are redirected promptly to other CSU campuses without asking the redirected applicant (1) to complete another admission application, (2) to supply another complement of transcripts and test scores, or (3) to pay an additional admission application fee. Redirection must occur early enough to provide applicants with viable CSU enrollment options.

In 2002, an agreement with the governor renewed efforts to ensure that redirection would be completed. Two years later, however, Executive Order 903 encouraged the submission of electronic applications for admission. This effectively rendered the process of redirection obsolete due to the increasing number of campuses that were impacted and the requirements to evaluate applicants for supplementary impactation criteria.

Currently, the CSU is only required to redirect Associate Degree for Transfer (ADT) applicants as established by Senate Bill 440. ADT applicants who are CSU eligible are redirected to non-impacted campuses. The redirection is completed regardless of the applicant's interest or the applicant's admission to another CSU campus.

While redirection is an option for some students, it is not a universal solution. For many students, family, economic or work constraints make attending a non-local campus impossible. Other students might be interested in pursuing a program that is only offered at select campuses, making redirection impractical. For these reasons, the number of students who accept admission through redirection is small. In fall 2017, of the 16,577 redirected ADT applicants who were admitted, less than one percent chose to attend (112 students).

Redirection Proposal

The proposal for redirection applies to *all* CSU-eligible undergraduate applicants who have not been admitted to a CSU campus. To support applicants and their families, all campuses would adopt a set of standard systemwide dates and deadlines. The following outlines the steps for a fall application cycle. If the proposal is adopted, deadlines would also be created for winter and spring application cycles.

Under this proposal, admission decisions for all undergraduate applicants would be rendered by April 1. By this date, all applicants would be informed that they have been admitted, waitlisted, denied due to impaction or denied due to CSU ineligibility.

Applicants who were admitted to at least one CSU campus would not be eligible for redirection. For example, an applicant who applied to three campuses might have the following outcome:

- Campus 1 = Waitlisted
- Campus 2 = Admitted
- Campus 3 = Denied due to impaction

This applicant would not be redirected, as he or she was admitted to at least one CSU campus. If instead this applicant was waitlisted or denied admission due to campus or program impaction, they might have the following outcome:

- Campus 1 = Waitlisted
- Campus 2 = Denied due to Impaction
- Campus 3 = Waitlisted

In this instance, the applicant was found to be CSU eligible but was not admitted to any CSU campus. As a result, he or she would be notified about the opportunity to be redirected to a non-impacted campus and would be informed of campuses with availability.

Applicants eligible for redirection would be asked to select their first and second choices among non-impacted campuses. Applicants would be given approximately 21 days to respond to the request, and would receive three email messages and three text message reminders following the initial email notification.

The Office of the Chancellor would use the Cal State Apply website to collect applicant responses and to manage the redirection process. As redirection requests were received, the Office of the Chancellor would confirm capacity and forward application records to non-impacted campuses.

Applicants who decline redirection would be asked to provide a reason. This information would provide useful data for reporting and for better understanding prospective students' needs.

Summary

CSU campuses employ multiple strategies to manage the enrollment of continuing and new students. This includes actively monitoring and advising continuing students in order to help them earn a degree, thereby creating capacity for new enrollment. Even with these efforts, however, nearly all CSU campuses enroll a student population that exceeds their currently funded enrollment target. Campuses must therefore carefully manage the admission and enrollment of new students to ensure that campuses continue to offer sufficient access to the CSU and that students are not only provided adequate resources at entry, but are supported throughout their academic career.

The proposed policies on first priority for local applicants in impacted programs and redirection address legislative concerns and requirements while still ensuring that campuses can continue to balance capacity and access for current and future students.

Future Updates

The policy proposals were developed through input from the CSU community, and will be refined further using feedback received from trustees during the January board meeting. At the March 2018 Board of Trustees meeting, final draft policies will be presented as an action item for board approval. This timeline ensures that the CSU will meet the legislated deadline for new policies on first priority for local applicants in impacted programs and redirection.

COMMITTEE ON EDUCATIONAL POLICY

Recommended Amendment to Title 5 Regarding Exemption from Nonresident Tuition

Presentation By

Loren J. Blanchard
Executive Vice Chancellor
Academic and Student Affairs

Ray Murillo
Director, Student Programs
Student Academic Support

Summary

All students enrolled at a California State University (CSU) campus are charged the same systemwide tuition, depending on their enrollment status as an undergraduate, credential student or graduate student. However, some students (generally, students who are residents of another U.S. state or nation) are required to pay nonresident tuition in addition to the base tuition.

Existing law and regulation exempt an individual—other than current nonimmigrant visa holders—from paying nonresident tuition at the CSU if that person:

- Attended high school in California for three or more years, or attended elementary and/or secondary schools in California for three or more years and attained academic credits from California high schools equivalent to three or more years of full-time coursework;
- Graduated from a California high school or attained its equivalent;
- Registered at, or attends, an accredited institution of higher education in California; and
- Filed a California Nonresident Tuition Exemption Request and affidavit.

On January 1, 2018, Senate Bill 68, *Public postsecondary education: exemption from nonresident tuition*, went into effect. This legislation amends Section 68130.5 of the Education Code, relating to exemption from nonresident tuition. The amendment provides additional methods of meeting the attendance and graduation requirements by:

- Allowing time spent at California adult schools and California community colleges to count toward the attendance requirement; and
- Allowing the attainment of an associate's degree or fulfillment of the minimum CSU transfer requirements from a California community college to count toward the graduation requirement.

Proposed Revision

The proposed Title 5 amendment provides guidance for campuses regarding the full-time attendance at a California adult school and the minimum CSU requirements for students transferring from a California community college, as it relates to nonresident tuition exemptions. The proposed amendment also removes language that restates, without clarifying, portions of Section 68130.5 of the Education Code. An item will be presented at the March meeting for board action to adopt the following recommended amendments to Title 5.

Title 5. California Code of Regulations
Division 5. Board of Trustees of the California State Universities
Chapter 1. California State University
Subchapter 5. Administration
Article 4. Nonresident Tuition

§ 41906.5. Nonresident Tuition Exemption Based on Prior California Education

(a) As used in Education Code Section 68130.5, fulfillment of the minimum transfer requirements for students transferring from a California Community College campus shall mean meeting the undergraduate transfer admission requirements established in Title 5, sections 40803, 40804 or 40804.1

(b) When a California adult school does not measure attendance by class hours, campuses should consult with that school to determine whether a student has met the minimum 420 class hours of attendance for each school year in classes or courses authorized pursuant to Education Code Section 41976 or Penal Code Sections 2053 to 2054.2.

~~(a) Any student, other than a student who is nonimmigrant alien under Title 8, United States Code, Section 1101(a)(15), shall be exempt from paying nonresident tuition at any California State University campus if he or she:~~

~~(1) Satisfied either of the following:~~

~~(A) High school attendance in California for three or more years (grades 9-12); or~~

~~(B) Attainment of credits earned in California from a California high school, with those credits being equivalent to three or more years of full-time high school coursework, and a total of three or more years of attendance in California elementary schools, California secondary schools, or a combination of those schools.~~

~~(2) Graduated from a California high school or attained the equivalent of such graduation; and~~

~~(3) Registered for or enrolled in a course offered by a California State University campus for any term commencing on or after January 1, 2002.~~

(c) ~~(b)~~ Any student seeking an exemption under ~~subdivision (a)~~ Education Code section 68130.5 shall complete a questionnaire furnished by the California State University campus of enrollment verifying eligibility for this nonresident tuition exemption. Supplemental documentation ~~and~~ may be required to provide additional verification ~~documentation in addition to the information required by the questionnaire~~. Nonpublic student information so provided shall not be disclosed except pursuant to law.

~~(d)~~ ~~(e)~~ ~~In addition to the requirements of subdivision (a),~~ Any any student without lawful immigration status shall file with the California State University campus an affidavit of enrollment on a form furnished by the campus stating that the student ~~he or she~~ has filed an application to legalize his or her immigration status or will file such an application as soon as he or she is eligible to do so.

~~(e)~~ ~~(d)~~ A student seeking ~~this~~ tuition exemption has the burden of providing evidence of compliance with the requirements of Education Code section 68130.5 and this section.

~~(f)~~ ~~(e)~~ Nothing herein modifies eligibility standards or requirements for any form of student financial aid.

Title 5. California Code of Regulations
Division 5. Board of Trustees of the California State Universities
Chapter 1. California State University
Subchapter 5. Administration
Article 4. Nonresident Tuition
§ 41906.6. Nonresident Tuition Exemption for Crime Victims.

In accordance with Education Code section 68122(a), § students who are victims of trafficking, domestic violence, and other serious crimes who have been granted T or U visa status, under Title 8, United States Code, Sections 1101(a)(15)(T) or (U), are exempt from paying nonresident tuition if they satisfy the requirements set forth in Education Code Section 68130.5. ~~÷(1) satisfied either of the following: (A) high school attendance in California for three or more years (grades 9-12); or (B) attainment of credits earned in California from a California high school, with those credits being equivalent to three or more years of full-time high school coursework, and a total of three or more years of attendance in California elementary schools, California secondary schools, or a combination of those schools; (2) graduated from a California high school or attained the equivalent; and (3) registered as an entering student or are currently enrolled at a CSU campus.~~

COMMITTEE ON EDUCATIONAL POLICY

The Wang Family Excellence Awards

Presentation By

Timothy P. White
Chancellor

Background

Twenty years ago, the Wang Family Excellence Award was established when then-California State University (CSU) Trustee Stanley T. Wang provided \$1 million to recognize the remarkable contributions of four CSU faculty members and one staff member annually over a 10-year period. Each selected recipient received an award of \$20,000.

In 2014, Trustee Emeritus Wang pledged a \$300,000 gift to the CSU to reinstate the Wang Family Excellence Award, continuing this recognition for faculty and staff through 2017. And, at the January 2017 Board of Trustees meeting, Chancellor Timothy P. White announced that Trustee Emeritus Wang had gifted an additional \$2.5 million, allowing the Wang Family Excellence Award to continue in perpetuity.

The Wang Family Excellence Award recognizes and celebrates CSU faculty members who have distinguished themselves through extraordinary dedication and exemplary achievements in their academic disciplines, while significantly contributing to the success of students. An administrator is also recognized for extraordinary accomplishments in her or his university assignment.

The selection process for the award begins with each campus president nominating one probationary or tenured faculty member for each of the award categories. The categories were modified beginning in 2018 to reflect performance areas rather than academic disciplines. Award categories are:

- a) Outstanding Faculty Teaching;
- b) Outstanding Faculty Innovator in Student Success;
- c) Outstanding Faculty Scholarship; and
- d) Outstanding Faculty Service.

Campus presidents also nominate one administrator from their respective campuses for the Outstanding Staff Performance Award.

Nominations are considered by the Wang Family Excellence Award Selection Committee, appointed by Chancellor White in consultation with Trustee Emeritus Wang. This committee includes two members of the Board of Trustees, the Executive Vice Chancellor for Academic and Student Affairs, the Vice Chancellor for Human Resources, chair of the Academic Senate CSU and a CSU faculty member who was previously awarded the Wang Family Excellence Award.

Nominees are reviewed and considered for selection based on the following criteria:

- Nominees should have made truly remarkable contributions to the advancement of their respective universities and/or the CSU system.
- Nominees should have a demonstrated record of unusually meritorious achievements documented by evidence of superior accomplishments and contributions to their academic discipline or university assignment.
- A nominee's activities must advance the mission of the university, bring benefit and credit to the CSU and contribute to the enhancement of the CSU's excellence in teaching, learning, research, scholarly pursuits, student support and community contributions.

The Wang Family Excellence Awards will be presented during a ceremony at the January 2018 Board of Trustees meeting.

AGENDA

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Meeting: **8:00 a.m., Wednesday, January 31, 2018**
Glenn S. Dumke Auditorium

Hugo N. Morales, Chair
Debra S. Farar, Vice Chair
Douglas Faigin
Jean P. Firstenberg
Lillian Kimbell

- Consent** 1. Approval of Minutes of the Meeting of November 8, 2017, *Action*
- Discussion** 2. Executive Compensation: President – San Diego State University, *Action*
3. Executive Compensation: President – California State University, Fullerton, *Action*
4. Executive Compensation: Executive Vice Chancellor and General Counsel –
California State University, *Action*
5. Recommended Revision of Title 5, California Code of Regulations, Section
42909, Vacation Accumulation and Carry-Over, *Information*

**MINUTES OF THE MEETING OF
COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL**

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

November 8, 2017

Members Present

Hugo N. Morales, Chair
Debra S. Farar, Vice Chair
Douglas Faigin
Jean P. Firstenberg
Lillian Kimbell
Rebecca D. Eisen, Chair of the Board
Timothy P. White, Chancellor

Chair Morales called the meeting to order.

Public Speakers

The committee heard from the following individuals during the public comment period: Molly Talcott, Associate Professor, Department of Sociology (CSU Los Angeles) and CFA Associate Vice President, discussed supporting student success and campuses hiring faculty into lecturer positions rather than tenure-line. Martha Cuan, Counselor, Psychological Counseling Services (CSU Stanislaus) spoke about the increasing demands in providing mental health counseling services and the decline in the number of counselors per students on CSU campuses. Kim Geron, Professor, Department of Political Science (CSU East Bay) and CFA Department Representative, appealed for implementation of the recommendations provided in the ethnic studies task force report.

Approval of Minutes

The minutes from the September 20, 2017 meeting were approved as submitted.

Annual Report on Outside Employment for Senior Management Employees

Trustee Morales presented agenda item one as a consent action item. The committee recommended approval of the proposed resolution. (RUF 11-17-06)

Annual Report on Vice President Compensation, Executive Relocation, and Executive Transition

Agenda item two was presented as a consent information item.

CalPERS Retirement System for CSU Employees

Information on the CalPERS retirement system was presented by Ms. Melissa Bard, vice chancellor of human resources, and Mr. Brad Wells, associate vice chancellor of business and finance. The presentation included an overview of CalPERS and its history, retirement benefits provided to employees, how retirement benefits have changed, and the increasing costs for the state and the CSU.

Following the presentation, Trustee John Nilon asked about projections related to unreimbursed retirement costs. Following a brief discussion, Mr. Wells indicated he would provide supplemental information in response to the inquiry. He also responded to a question on the Public Employees' Pension Reform Act (PEPRA) and its impact over the long term.

Questions were raised about employee contribution rates to the various plans and to social security. Ms. Bard acknowledged that the retirement benefit for a CSU employee includes their contributions to: 1) the defined benefit plan, 2) social security, and 3) any voluntary plan the employee contributes to. Staff indicated that the voluntary defined contribution plan is administered by Fidelity and additionally, an internal investment committee oversees the plan with AON Hewitt Investment Consulting. There is no cost to the CSU as administrative fees are paid by plan participants.

Trustee Peter Taylor asked for clarification on the operating budget for retirement costs, specifically who pays for the increasing costs. Mr. Wells explained that while the annual costs are primarily funded by supplemental state allocations, but since 2014-2015 the actual costs include unreimbursed payments made directly by the CSU. The CSU is responsible for costs that exceed the pensionable payroll limit established in the 2014-2015 budget act. The estimated costs in the chart are based on payroll projections and are included in the CSU's annual budget request as mandatory costs.

In response to a comment about the University of California system allowing its employees the choice of a defined contribution plan or hybrid plan, Ms. Bard queued a slide that compared CSU and UC retirement benefits. Ms. Bard noted that the UC system has autonomy to offer such plans and it would be an option the board could consider for certain employee groups. Chancellor White pointed out that as costs and financial impact are considered, the recruitment

and retention of employees should also be included in the discussion. He noted that certain positions are becoming increasingly difficult to recruit due to the PEPRA revisions implemented in 2013.

Chair Morales adjourned the meeting.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Executive Compensation: President – San Diego State University

Presentation By

Timothy P. White
Chancellor

Summary

This action item establishes the compensation for Dr. Adela de la Torre as president of San Diego State University.

Background

The CSU Board of Trustees is pleased to present Dr. Adela de la Torre as the next president of San Diego State University. It is expected that Dr. Adela de la Torre will assume her presidency on or before June 30, 2018.

Dr. Adela de la Torre will join SDSU from UC Davis where she has served in various leadership roles culminating in her role as vice chancellor, student affairs and campus diversity. In that capacity she oversees a division that encompasses 28 departments and units that provide programs, services and facilities to foster academic success, student development and campus community. Previous positions at UC Davis include interim vice chancellor, student affairs (2012-13), director for the Center for Transnational Health (2004- present), and chair of the Chicana/o studies department (2009-11). She also served as the director of the Chicana/o studies program beginning in 2002 and special assistant to the dean, humanities, arts and cultural studies (2003-04). De la Torre's additional experience in higher education includes service as director of the Mexican American Studies and Research Center at the University of Arizona (1996-2002).

De la Torre is also familiar with the CSU, having served in the management fellows program at the CSU Office of the Chancellor (1995-96), as the chair of the Chicano/Latino studies department at California State University, Long Beach (CSULB) from 1991-95, and as a professor of health care administration (1988-96) also at CSULB.

De la Torre earned a B.S. in political economy of natural resources and an M.S. and Ph.D. in agricultural and resource economics all from the University of California, Berkeley.

AMENDED

U&FP

Agenda Item 2

January 29-31, 2018

Page 2 of 2

Executive Compensation

Chancellor White recommends that Dr. Adela de la Torre receive an annual salary of \$428,645 effective on or before June 30, 2018, the date of her appointment as president of San Diego State University. This is the same salary as the current interim president. Additionally, Dr. Adela de la Torre will be required to live in the university's presidential residence located in San Diego, California, as a condition of her employment as president.

In accordance with existing policy, Dr. Adela de la Torre will receive the following benefits:

- An auto allowance of \$1,000 per month;
- Standard benefit provisions afforded CSU Executive classification employees;
- An executive transition program provided she meets the eligibility requirements passed by the Board of Trustees on November 15, 2006 (RUF 11-06-06); and
- Reimbursement for actual, necessary and reasonable moving and relocation expenses.

Dr. Adela de la Torre will hold the academic rank of full professor with tenure, subject to faculty consultation, in the College of Arts and Letters and College of Health and Human Services.

Chancellor White recommends the trustees approve the salary for the next president of San Diego State University, Dr. Adela de la Torre.

Recommended Action

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that Dr. Adela de la Torre shall receive a salary set at the annual rate of \$428,645 effective the date of her appointment as president of San Diego State University; and be it further

RESOLVED, that Dr. Adela de la Torre shall receive additional benefits as cited in Item 2 of the Committee on University and Faculty Personnel at the January 29-31, 2018 meeting of the Board of Trustees.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Executive Compensation: President – California State University, Fullerton

Presentation By

Timothy P. White
Chancellor

Summary

This action item establishes the compensation for Mr. Framroze Virjee as president of California State University, Fullerton.

Background

The CSU Board of Trustees is pleased to present Mr. Framroze (Fram) Virjee as the next president of California State University, Fullerton. Mr. Virjee will assume his presidency on January 1, 2018, and is expected to serve through June 2019.

Since January 2014, Mr. Virjee has served as executive vice chancellor and general counsel for the California State University. In that capacity, Mr. Virjee and his staff oversee all legal services for the CSU's 23 campuses in areas as varied as human resources, First Amendment rights, intellectual property, regulatory compliance, health and safety, discrimination, Title IX and gender equity, and academic and student affairs. Over the past four years, he helped transform the Office of General Counsel from a regulatory function to a division focused upon collaboration, service and the provision of solution-driven legal advice. Mr. Virjee also served as secretary and chief legal officer to the board.

Prior to joining the CSU, Mr. Virjee was a partner in private practice for almost 30 years at O'Melveny & Myers, the oldest law firm in Los Angeles and one of the largest in the nation, where he specialized in labor and employment law.

Mr. Virjee graduated summa cum laude, earning a bachelor's degree in political science and sociology from the University of California, Santa Barbara. He earned his J. D. cum laude from the University of California, Hastings College of the Law.

Executive Compensation

Chancellor White recommends that Mr. Framroze Virjee receive an annual salary of \$356,431 effective January 1, 2018, the date of his appointment as president of California State University, Fullerton. This is the same salary as outgoing president, Dr. Mildred Garcia. Additionally, Mr.

Virjee will be required to live in the university's presidential residence located in Fullerton, California, as a condition of his employment as president.

In accordance with existing policy, Mr. Virjee will receive the following benefits:

- An auto allowance of \$1,000 per month;
- Standard benefit provisions afforded CSU Executive classification employees;
- An executive transition program provided he meets the eligibility requirements passed by the Board of Trustees on November 15, 2006 (RUF 11-06-06); and
- Reimbursement for actual, necessary and reasonable moving and relocation expenses.

Chancellor White recommends the trustees approve the salary for the next president of California State University, Fullerton, Mr. Framroze Virjee.

Recommended Action

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that Mr. Framroze Virjee shall receive a salary set at the annual rate of \$356,431 effective the date of his appointment as president of California State University, Fullerton; and be it further

RESOLVED, that Mr. Virjee shall receive additional benefits as cited in Item 3 of the Committee on University and Faculty Personnel at the January 29-31, 2018 meeting of the Board of Trustees.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Executive Compensation: Executive Vice Chancellor and General Counsel – California State University

Presentation By

Timothy P. White
Chancellor

Summary

This action item establishes the compensation for Mr. G. Andrew Jones as executive vice chancellor and general counsel of the California State University.

Background

The CSU Board of Trustees is pleased to present Mr. G. Andrew Jones as executive vice chancellor and general counsel of the California State University effective January 1, 2018. He will also serve as legal advisor and secretary to the board.

Mr. Jones has been serving as associate vice chancellor and deputy general counsel for the California State University. In that capacity he coordinated with the executive vice chancellor and general counsel in overseeing the operations of the Office of General Counsel and all legal services for the CSU's 23 campuses. He joined the CSU's Office of General Counsel in 2000 and subsequently served as university counsel for several campuses, as well as team leader for general counsel's business and finance team. Mr. Jones has assumed other leadership roles on the chancellor's executive team, serving as interim general counsel and interim vice chancellor of human resources.

Prior to joining the CSU, he was in private practice as a partner in the Los Angeles-based firm of Adams, Duque & Hazeltine, and later as a partner in his own firm, Myers & Jones, LLP.

Mr. Jones earned a bachelor's degree in business administration from California State University, Long Beach, and his J. D. from the University of California, Davis.

Executive Compensation

Chancellor White recommends that Mr. G. Andrew Jones receive an annual salary of \$340,505 effective January 1, 2018, the date of his appointment as executive vice chancellor and general counsel of the California State University. This is the same salary as outgoing general counsel, Mr. Framroze Virjee.

In accordance with existing policy, Mr. Jones will receive the following benefits:

- An auto allowance of \$1,000 per month;
- Standard benefit provisions afforded CSU Executive classification employees; and
- An executive transition program provided he meets the eligibility requirements passed by the Board of Trustees on November 15, 2006 (RUFPP 11-06-06).

There is no moving and relocation benefit with this appointment.

Chancellor White recommends the trustees approve the salary for the next executive vice chancellor and general counsel of the California State University, Mr. G. Andrew Jones.

Recommended Action

The following resolution is recommended for adoption:

RESOLVED, by the Board of Trustees of the California State University, that Mr. G. Andrew Jones shall receive a salary set at the annual rate of \$340,505 effective the date of his appointment as executive vice chancellor and general counsel for the California State University; and be it further

RESOLVED, that Mr. Jones shall receive additional benefits as cited in Item 4 of the Committee on University and Faculty Personnel at the January 29-31, 2018 meeting of the Board of Trustees.

COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

Recommended Revision of Title 5, California Code of Regulations, Section 42909, Vacation Accumulation and Carry-Over

Presentation By

Melissa L. Bard
Vice Chancellor
Human Resources

Summary

It is proposed that Section 42909 of Title 5 which addresses vacation accumulation and carry-over be revised to increase the maximum confidential employees' vacation accrual from 384 hours to 440 hours for more than 10 years of qualifying service.

This revision to Title 5 is proposed to align confidential employees' vacation accrual with changes in other employee groups.

It is anticipated that an action item will be presented at the March 2018 Board of Trustees' meeting to adopt the following amendment:

Title 5, California Code of Regulations
Division 5 – Board of Trustees of the California State Universities
Chapter 1 – California State University
Subchapter 7 – Employees
Article 4 – Vacations

§42909. Accumulation and Carry-Over

(a) An employee may accumulate credit for vacation with pay for which vacation is not taken during the calendar year. On January 1st of any calendar year, an employee covered by Section 42902 shall not have a credit for vacation with pay of more than 384 working hours for 10 or less years of qualifying service or 440 working hours for more than 10 years of such service; an employee covered by Section 42904 shall not have a credit of more than 272 working hours for 10 or less years of qualifying service or 384 working hours for more than 10 years of such service; a Management Personnel Plan employee shall not have a credit of more than 384 working hours for 10 or less years of qualifying service or 440 working hours for more than 10 years of such service; and a campus President, General Counsel, Vice Chancellor, or Chancellor shall not have a credit of more than 480 hours.

(b) Notwithstanding subsection (a) to the contrary, the president of a campus at which an employee is employed, or the Chancellor in the case of all other employees, may permit an employee to carry over more vacation credits than the prescribed maximum when the employee was prevented from taking enough vacation to reduce the credits because the employee (1) was required to work as a result of fire, flood or other similar emergency, (2) was prevented from taking vacation by work the president or the Chancellor, as the case may be, has determined to be of a priority or critical nature over an extended period of time, (3) was absent on full salary for compensable injury, or (4) was prevented by campus rule from taking vacation until December and at that time was unable to take vacation because of illness requiring use of sick leave. This subsection (b) shall not apply to vacation carry-over of a President, General Counsel, Vice Chancellor, and Chancellor.

When verification of past state service requires it, an employees' accumulated credit for vacation with pay shall be adjusted. In such case, any additional credit which exceeds the maximum carry-over limitation shall be used within one year following the qualifying monthly pay period in which credited.

NOTE: Authority cited: Sections 66600, 89030, 89035 and 89500, Education Code.
Reference: Section 89500, Education Code.

AGENDA

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

Meeting: 8:45 a.m., Wednesday, January 31, 2018
Glenn S. Dumke Auditorium

John Nilon, Chair
Jane W. Carney, Vice Chair
Adam Day
Thelma Meléndez de Santa Ana
Romey Sabalius
Peter J. Taylor

- Consent**
1. Approval of Minutes of the Meeting of November 8, 2017, *Action*
 2. California State University Maritime Academy Master Plan Revision and Real Property Acquisition, *Action*
- Discussion**
3. California State University, Chico Siskiyou II Science Replacement (Seismic) Building, *Action*
 4. California State University, East Bay Master Plan Revision, *Action*
 5. California State University, San Bernardino Master Plan Revision for Palm Desert Off-Campus Center, *Action*

**MINUTES OF THE MEETING OF THE
COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS**

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

November 8, 2017

Members Present

John Nilon, Chair
Jane W. Carney, Vice Chair
Adam Day
Rebecca D. Eisen, Chair of the Board
Thelma Meléndez de Santa Ana
Peter J. Taylor
Timothy P. White, Chancellor

Trustee John Nilon called the meeting to order.

Public Comment

Mr. Kim John Kilkenny of the Friends of San Diego State University Steering Committee spoke in support of Item 4, the Potential Mission Valley Campus Expansion for San Diego State University, stating higher education is the highest purpose for the City of San Diego's stadium and associated property.

Approval of Minutes

The minutes of the September 19, 2017 meeting were approved as submitted.

Parking Structure E for California State University, Los Angeles

Trustee Nilon presented agenda item 1 as a consent action item. The committee recommended approval of the proposed resolution (RCPBG 11-17-15).

Student Union Renovation and Expansion for California State University, San Bernardino

Trustee Nilon presented agenda item 2 as a consent action item. The committee recommended approval of the proposed resolution (RCPBG 11-17-16).

Approval of the 2018-2019 Capital Outlay Program and the 2018-2019 through 2022-2023 Five-Year Facilities Renewal and Improvement Plan

The 2018-2019 Capital Outlay Program and the 2018-2019 through 2022-2023 Five-Year Facilities Renewal and Improvement Plan action item was presented. CSU East Bay President Leroy Morishita remarked on the critical need for capital program funds to improve campus safety and reliability, and to promote a welcoming and state of the art environment for students.

Following the presentation the trustees asked questions relating to how maintenance of newly completed buildings is funded and what occurs if a campus wishes to change out a project the board has already approved. Ms. Elvyra San Juan, assistant vice chancellor for Capital Planning, Design, and Construction, responded that state operating funds are requested with maintenance for new buildings included as one of the mandatory costs, and that there is a formal project substitution process requiring approval by the executive vice chancellor/chief financial officer.

Acknowledging the new reporting of greenhouse gas (GHG) emissions, Trustee Adam Day requested summary data to assist the trustees in assessing the impact of the overall capital program on GHG emissions. Ms. San Juan stated a progress report on the trustees' sustainability goals will be presented at an upcoming meeting and a summary of GHG emissions will be included.

Trustee Peter Taylor commented on solar projects, expressing caution to ensure contracts do not result in future higher utility costs for the CSU. Ms. San Juan confirmed the contract proposals will be analyzed for cost escalation.

Trustees Taylor and Nilon suggested staff look into increasing the threshold for delegation of authority to the chancellor for capital project approval which is currently set at \$5 million.

The committee recommended approval of the proposed resolution (RCPBG 11-17-17).

San Diego State University Potential Mission Valley Campus Expansion

The Potential Mission Valley Campus Expansion information item was presented. The campus is currently conducting its due diligence and considering concepts for potential use of the site to support the university's educational and athletics programs. Depending on the results of the due diligence and the outcome of a citizens' initiative, an action item to approve the land acquisition may return to the board at a future date.

Trustee Adam Day commented that this potential land acquisition could be the most consequential issue for San Diego State for the next 100 years. Trustee Romey Sabalius asked the priority for use of the potential land acquisition. President Sally Roush, San Diego State, responded stating the stadium is the top priority as the City of San Diego plans to demolish the existing stadium. Other priorities will be determined once the due diligence has been completed.

Trustee Nilon adjourned the meeting.

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

California State University Maritime Academy Master Plan Revision and Real Property Acquisition

Presented By

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Summary

This item requests the following actions by the California State University Board of Trustees for California State University Maritime Academy:

- Approval of the campus master plan revision January 2018.
- Approval of an amendment to the 2017-2018 capital outlay program for the acquisition of real property.

The proposed master plan revision maintains a ceiling of 1,100 full-time equivalent students. Attachment A is the proposed campus master plan dated January 2018. Attachment B is the existing campus master plan dated January 2013.

Proposed Master Plan Revision

The Cal Maritime campus lacks adequate space for the facilities needed to support and grow this specialized training academy, including contiguous, buildable land and an appropriate entryway. This proposed master plan revision would allow for the future acquisition of a 3.9-acre parcel of land containing a Motel 6 and zoned for freeway shopping and a service district. This contiguous motel property is north of the campus and adjacent to Sonoma Boulevard (Highway 29), a primary artery traversing the region. Upon acquisition, the use of the property would transition to student housing to reduce the number of students living off campus.

Relationship of Acquisition to Campus Master Plan

Due to the topographical constraints at Cal Maritime, additional buildable area is needed to accommodate academic growth and facilities for instructional support. In particular, the campus requires developable land to meet demand in the areas of future student housing, administrative, and, academic space. The acquisition of this property would provide buildable land to meet master plan entitlements and enhance the campus's presence along Sonoma Boulevard. Future development of the property is subject to California Environmental Quality Act (CEQA) analysis and trustees' approval.

Proposed Revision

The master plan revision is shown on Attachment A, reflected by the future boundary notation:

Hexagon 1: The property with motel (#60¹) and 151 parking spaces.

Amend the 2017-2018 Capital Outlay Program

The Cal Maritime campus wishes to amend the 2017-2018 capital outlay program to proceed with the real property acquisition of approximately 3.9 acres known as the Motel 6 Property. The acquisition will extend the campus master plan boundary to the north to encompass this parcel of land. Property development consists of a two-story motel building containing 145 recently upgraded rooms and 151 surface parking spaces. The board is requested to delegate to the chancellor, or his designee, the authority to negotiate the final terms and acquisition price in consideration of the appraised value and its adjacency to the campus, contingent on the results of the due diligence review. The negotiated price is currently \$8.3 million.

The acquisition will be financed by, and repaid from, campus housing revenues.

California Environmental Quality Action

A categorical exemption has been proposed for the project and a notice of exemption will be filed with the State Clearinghouse in accordance with CEQA.

Recommendation

The following resolution is presented for approval:

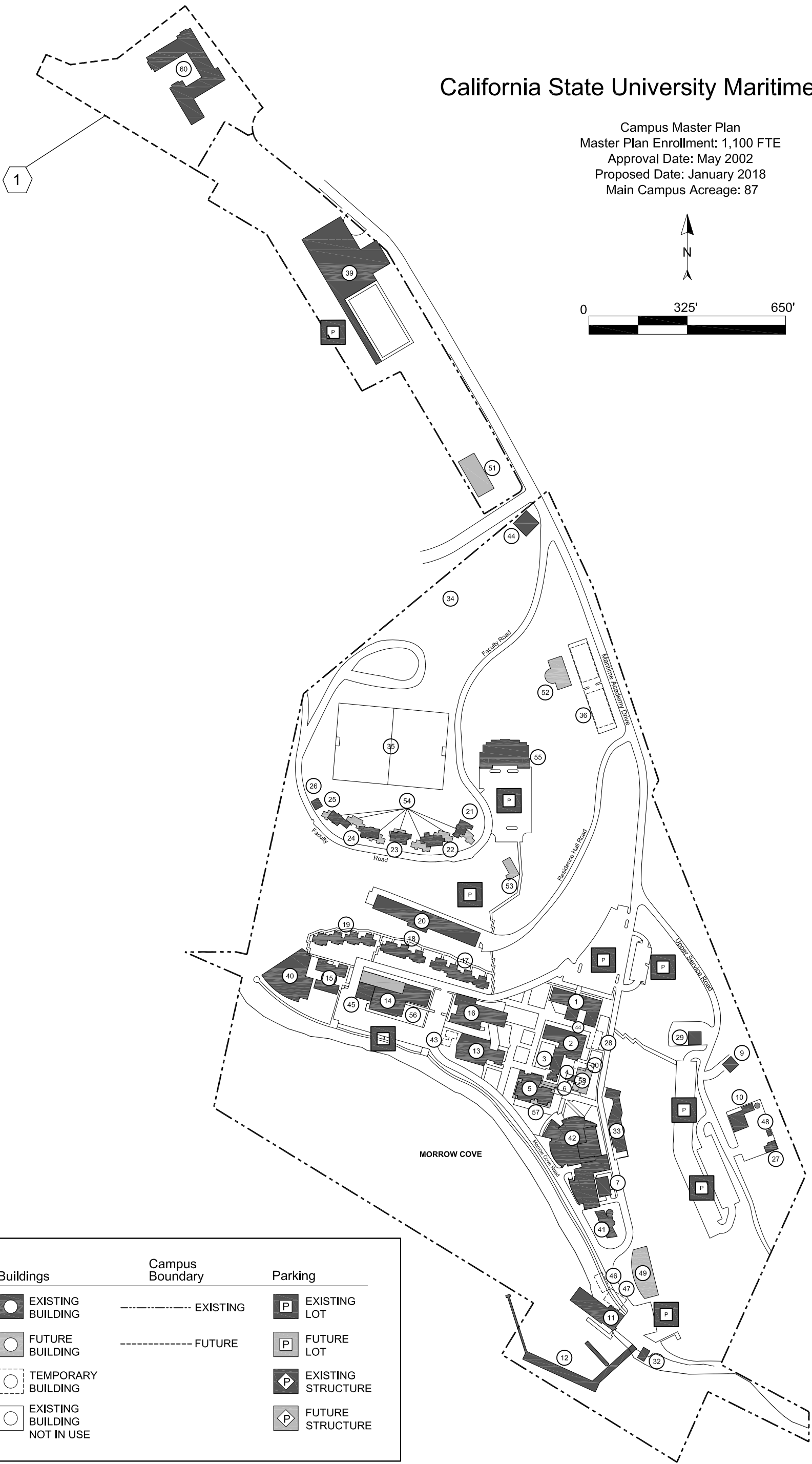
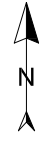
RESOLVED, by the Board of Trustees of the California State University, that:

1. The California State University Maritime Academy's campus master plan revision dated January 2018, is approved.
2. The 2017-2018 capital outlay program is amended to include the acquisition of Real Property for California State University Maritime Academy.
3. The chancellor, or his designee, is delegated the authority to negotiate the final purchase price for the Real Property acquisition within the not-to-exceed amount of the appraised value and contingent upon the results of the due diligence.

¹ The facility number is shown on the master plan map and recorded in the Space and Facilities Database.

California State University Maritime Academy

Campus Master Plan
 Master Plan Enrollment: 1,100 FTE
 Approval Date: May 2002
 Proposed Date: January 2018
 Main Campus Acreage: 87



Buildings	Campus Boundary	Parking
EXISTING BUILDING	EXISTING	EXISTING LOT
FUTURE BUILDING	FUTURE	FUTURE LOT
TEMPORARY BUILDING		EXISTING STRUCTURE
EXISTING BUILDING NOT IN USE		FUTURE STRUCTURE

California State University Maritime Academy

Master Plan Enrollment: 1,100 FTE

Master Plan approved by the Board of Trustees: May 2002

Master Plan Revision approved by the Board of Trustees: January 2013

Proposed Revision: January 2018

- | | |
|---|--|
| 1. Administration | 51. <i>Receiving</i> |
| 2. Classroom Building | 52. <i>Continuing Maritime Education</i> |
| 3. Faculty Offices | 53. <i>President's Residence</i> |
| 4. ABS Lecture Hall | 54. <i>Residential Village</i> |
| 5. Library | 55. McAllister Hall |
| 6. Archive Building | 56. <i>Student Services Building</i> |
| 7. Steam Plant Simulator | 57. <i>Learning Commons</i> |
| 9. Receiving | 58. <i>Academic Building</i> |
| 10. Physical Plant | 60. Motel |
| 11. Seamanship Building | |
| 12. Pier | |
| 13. Auditorium | |
| 14. Gymnasium | |
| 15. Student Center | |
| 16. Student Services | |
| 17. Residence Hall "A" | |
| 18. Residence Hall "B" | |
| 19. Residence Hall "C" | |
| 20. Residence Hall | |
| 21. The Charlotte Felton House
(Admissions Building) | |
| 22. President's Residence | |
| 23. Staff Housing 3 | |
| 24. Staff Housing 4 | |
| 25. Staff Housing 5 | |
| 26. Field House | |
| 27. Storage-Plant Operations | |
| 28. Information Technology | |
| 29. Auto Shop | |
| 30. Classroom Modular II | |
| 32. Seamanship Annex | |
| 33. Laboratory Building | |
| 34. Mini Park | |
| 35. Athletic Field | |
| 36. All Sports Courts | |
| 39. Physical Education/Aquatics Survival Center | |
| 40. Dining Center | |
| 41. Simulation Center | |
| 42. Technology Center | |
| 43. Career Center Modular | |
| 44. Police Department | |
| 45. Bookstore | |
| 46. Leadership Development Modular | |
| 47. Naval Science Modular | |
| 48. Trades Shop Modular | |
| 49. <i>Marine Programs</i> | |

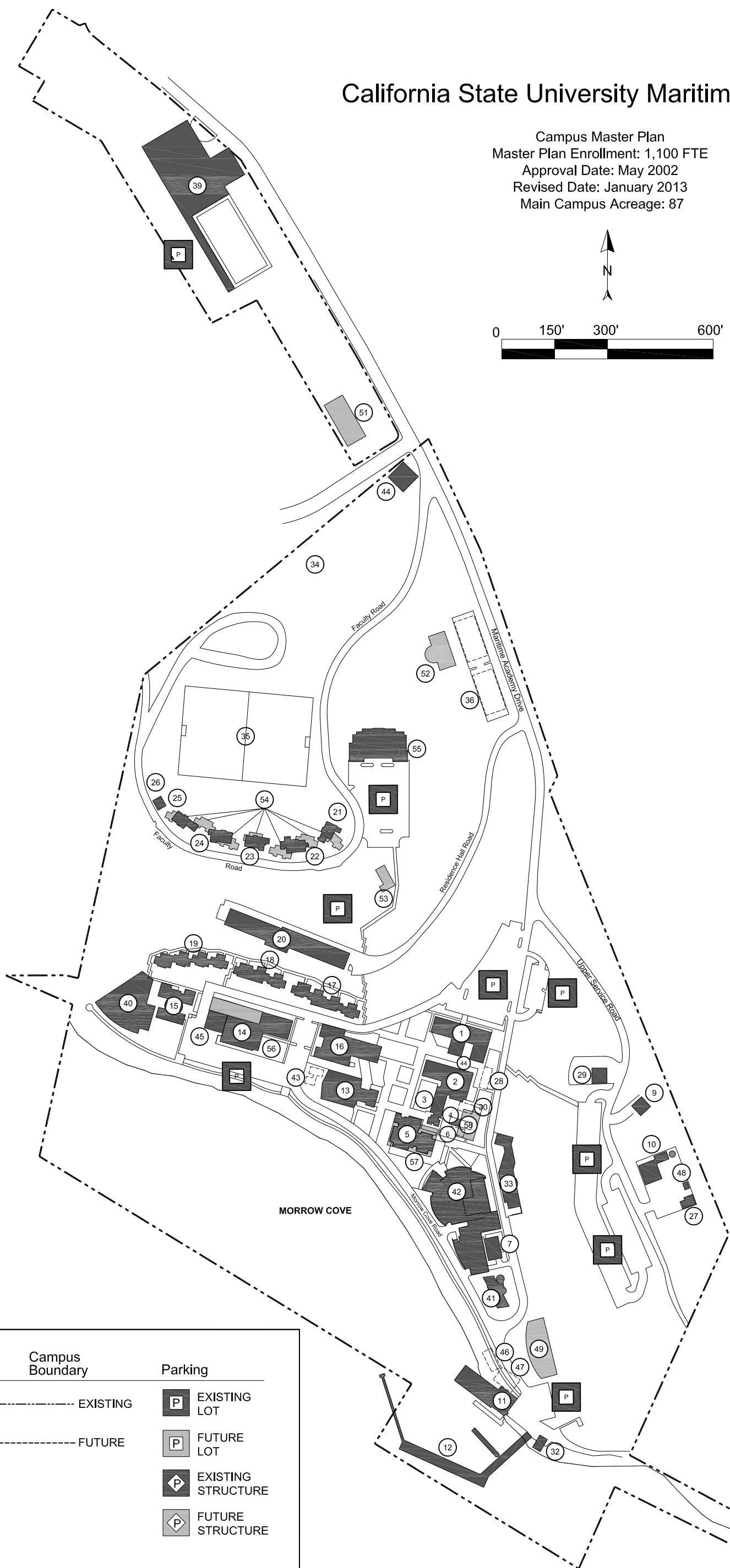
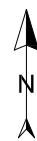
LEGEND:

Existing Facility / *Proposed Facility*

NOTE: Existing building numbers correspond with building numbers in the Space and Facilities Data Base (SFDB)

California State University Maritime Academy

Campus Master Plan
 Master Plan Enrollment: 1,100 FTE
 Approval Date: May 2002
 Revised Date: January 2013
 Main Campus Acreage: 87



Buildings	Campus Boundary	Parking
EXISTING BUILDING	EXISTING	EXISTING LOT
FUTURE BUILDING	FUTURE	FUTURE LOT
TEMPORARY BUILDING		EXISTING STRUCTURE
EXISTING BUILDING NOT IN USE		FUTURE STRUCTURE

California State University Maritime Academy

Master Plan Enrollment: 1,100 FTE

Master Plan approved by the Board of Trustees: May 2002

Master Plan Revision approved by the Board of Trustees: January 2013

- | | |
|---|---|
| 1. Administration | 51. <i>Receiving</i> |
| 2. Classroom Building | 52. <i>Continuing Maritime Education</i> |
| 3. Faculty Offices | 53. <i>President's Residence</i> |
| 4. ABS Lecture Hall | 54. <i>Residential Village</i> |
| 5. Library | 55. McAllister Hall |
| 6. Archive Building | 56. <i>Student Services Building</i> |
| 7. Steam Plant Simulator | 57. <i>Learning Commons</i> |
| 9. Receiving | 58. <i>Academic Building</i> |
| 10. Physical Plant | |
| 11. Seamanship Building | |
| 12. Pier | |
| 13. Auditorium | LEGEND: |
| 14. Gymnasium | Existing Facility / <i>Proposed Facility</i> |
| 15. Student Center | |
| 16. Student Services | NOTE: Existing building numbers correspond |
| 17. Residence Hall "A" | with building numbers in the Space and Facilities |
| 18. Residence Hall "B" | Data Base (SFDB) |
| 19. Residence Hall "C" | |
| 20. Residence Hall | |
| 21. The Charlotte Felton House
(Admissions Building) | |
| 22. President's Residence | |
| 23. Staff Housing 3 | |
| 24. Staff Housing 4 | |
| 25. Staff Housing 5 | |
| 26. Field House | |
| 27. Storage-Plant Operations | |
| 28. Information Technology | |
| 29. Auto Shop | |
| 30. Classroom Modular II | |
| 32. Seamanship Annex | |
| 33. Laboratory Building | |
| 34. Mini Park | |
| 35. Athletic Field | |
| 36. All Sports Courts | |
| 39. Physical Education/Aquatics Survival Center | |
| 40. Dining Center | |
| 41. Simulation Center | |
| 42. Technology Center | |
| 43. Career Center Modular | |
| 44. Police Department | |
| 45. Bookstore | |
| 46. Leadership Development Modular | |
| 47. Naval Science Modular | |
| 48. Trades Shop Modular | |
| 49. <i>Marine Programs</i> | |

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

California State University, Chico Siskiyou II Science Replacement (Seismic) Building

Presentation By

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Summary

Schematic plans for the following project will be presented for approval:

Siskiyou II Science Replacement (Seismic) Building Schematic Design

Collaborative Design-Build Contractor: DPR Construction

Architect: SmithGroup JJR

Background and Scope

California State University, Chico proposes to construct the new Siskiyou II Science Replacement (Seismic) Building (#103¹) located just east of Langdon Engineering Center (#28), north of Meriam Library (#54), and south of Big Chico Creek, replacing the existing Siskiyou Hall (#5). This new facility will provide updated teaching labs for the sciences and associated spaces, and assist in locating science and engineering closer to each other, replacing all of the functions located in the Physical Science Building (#8) and some functions located in Holt Hall (#25).

The Siskiyou II Science Replacement Building includes space for chemistry, physics, geological science, and science education labs, as well as active-learning classrooms, graduate research studios, a dean's suite, 68 faculty offices, and administrative and support areas. The building will provide a total capacity for 879 full time equivalent students (FTES) for a net increase of 52 FTES. The project scope also includes the demolition of the existing Siskiyou Hall building as its facilities are obsolete and exhibit numerous building system deficiencies. The space vacated in the Physical Science Building and Holt Hall will be renovated and repurposed in future projects.

The new Science Replacement Building sits at a major crossroads at the Chico campus core. The building form expresses this through two intersecting wings that create a central building hub, represented by light-filled lobbies and collaborative spaces inside on all floors. The east-west wing will use the historic campus brick palette and align with the formal grid of the adjacent quad. The angled north-south wing is composed of lighter materials including metal and glass, and aligns with the northern campus grid across Big Chico Creek. The building's form and siting create a critical synergy between interior learning spaces and outdoor classrooms, supporting the science curriculum.

¹ The facility number is shown on the master plan map and recorded in the Space and Facilities Database.

REVISED

CPB&G

Agenda Item 3

January 29-31, 2018

Page 2 of 7

The new 110,209 gross square foot (GSF) four-story facility will consist of a steel-moment framed structure with light-weight concrete-filled metal deck roofs and floors, supported on steel beams, and columns bearing on concrete spread footings. The site will be treated by a ground-improvement system to improve soil conditions.

This classroom and lab building will utilize a number of strategies to reduce energy use and meet greenhouse gas emissions (GHG) reduction targets below baseline emissions for similar buildings. The project will apply best practice measures such as right-sizing laboratory equipment loads, minimizing energy use, and optimizing ventilation rates in the labs. Other sustainable strategies include maximizing daylight, designing a high-performing envelope to reduce heat gain and loss, and selecting water-efficient fixtures inside the building and landscaping on the site. The project will seek Leadership in Energy and Environmental Design (LEED) Silver certification.

Timing (Estimated)

Preliminary Plans	Completed	December 2017
Working Drawings Completed		May 2018
Construction		Start June 2018
Occupancy		July 2020

Basic Statistics

Gross Building Area	110,209 square feet
Assignable Building Area	72,388 square feet
Efficiency	66 percent

Cost Estimate – California Construction Cost Index (CCCI) 6255²

Building Cost (\$645 per GSF) \$71,053,000

<i>Systems Breakdown</i>	<i>(\$ per GSF)</i>
a. Substructure (Foundation)	\$ 18.45
b. Shell (Structure and Enclosure)	\$ 164.33
c. Interiors (Partitions and Finishes)	\$ 84.99
d. Services (HVAC, Plumbing, Electrical, Fire)	\$ 236.15
e. Built-in Equipment and Furnishings	\$ 41.45
f. Special Construction and Demolition	\$ 4.22
g. General Requirements	\$ 19.66
h. General Conditions and Insurance	\$ 75.46

² The July 2016 *Engineering News-Record* California Construction Cost Index (CCCI). The CCCI is the average Building Cost Index for Los Angeles and San Francisco.

Site Development	<u>5,408,000</u>
Construction Cost	\$76,461,000
Fees, Contingency, Services	<u>21,088,000</u>
Total Project Cost (\$885 per GSF)	\$97,549,000
Fixtures, Furniture, & Moveable Equipment	<u>3,588,000</u>
Grand Total	<u>\$101,137,000</u>

Cost Comparison

The project's building cost of \$645 is higher than the \$591 per GSF Science II Replacement Building at CSU Sacramento, approved in January 2017, and the \$601 per GSF for Center for Science and Innovation at CSU Dominguez Hills, approved in November 2016, both adjusted to CCCI 6255.

The higher cost is due primarily to the exterior skin and building services, necessary to meet the durability and quality goal of the project. To achieve a 50-plus year building, the selected exterior skin materials consist of full anchored brick, aluminum plate panels, and storefront glazing systems, which are all higher quality and consistent with the campus architectural vocabulary.

The sustainability goals of the project are driving the mechanical systems to be highly efficient. The electrical system includes a 400 kilowatt (kW) backup generator, and an intensive electrical distribution and high circuit density within the labs.

The remote location of the Chico campus and current escalating cost of construction material and labor have also impacted the higher estimated building cost.

Funding Data

This project will be financed by the CSU Systemwide Revenue Bond Program (\$94.2 million) and campus designated capital reserves (\$6.9 million).

California Environmental Quality Act (CEQA) Action

An Initial Study and Mitigated Negative Declaration (MND) were prepared to analyze the potential significant environmental effects of the proposed project in accordance with the requirements of CEQA and the state CEQA Guidelines. The Final Mitigated Negative Declaration is presented to the California State University Board of Trustees for review and certification as part of this agenda item. The public review period began August 22, 2017, and closed September 21, 2017.

REVISED

CPB&G

Agenda Item 3

January 29-31, 2018

Page 4 of 7

Issues Identified Through Public Participation

Comment letters were received from Chico Unified School District, Butte County Air Quality Management District, City of Chico (Public Works Department, Engineering Division), Russell S. Mills (Professor of Civil Engineering, CSU Chico), James C. Pushnik (Director of Institute for Sustainable Development, CSU Chico), Nani Teves (Associated Students Sustainability Coordinator, CSU Chico), and Jann Reed (local resident).

Chico Unified School District (CUSD): requests any information regarding the northern extent of utilities that will be undergrounded along Warner Street; of particular interest in having utilities undergrounded to the north through the intersection of Warner Street and West Sacramento Avenue.

CSU Response: The project would accommodate the need for future utility vaults on Ivy/Warner Street. The City of Chico can be contacted for utility undergrounding scope beyond the limits of this project.

Butte County Air Quality Management District (BCAQMD): recognizes that the MND shows air quality impacts of the proposed project to be less than significant and that there are no new or increased air quality impacts from the proposed project that were not already addressed in the 2005 Master Plan Environmental Impact Report. BCAQMD reiterates that an Authority to Construct Permit would be required for stationary engines over 50 horsepower including emergency backup generators and for boilers rated at or above 1 million British thermal units (BTUs) per hour.

CSU Response: The project would include an emergency generator that exceeds 50 horsepower and two boilers that exceed 1 million BTUs per hour. The campus recognizes that an Authority to Construct Permit would be required, as noted in Section 2.6 of the MND.

City of Chico, Public Works Department, Engineering Division: expresses appreciation for the notification process regarding the project and the important relationship between the campus and the city. The Sewer Service Agreement between the campus and the city established on March 2, 1995 confirms that the city owns and operates the sewer system and charges user connection fees and monthly operating fees to ensure that the system has adequate capacity to support its users. Further, the city has received an evaluation of the city sewer piping system and the impacts of the proposed project on this system from Robertson Erickson Civil Engineers and Surveyors.

CSU Response: The comment reconfirms the proposed project is in compliance with the March 2, 1995 Sewer Service Agreement. The campus appreciates the city's efforts in reviewing the project.

Russell S. Mills (Professor of Civil Engineering, CSU Chico): indicates that extensive and convenient bicycle parking currently exists near the Siskiyou building, and that the proposed project would reduce bicycle parking at the project site and requests that adequate and convenient bicycle parking be provided on the project site. In addition, a concern was expressed that pedestrian crossing at Warner Street will increase due to the project and a controlled crossing at this location should be provided.

CSU Response: As noted in Impact Discussion 16-f of the Draft MND (page 112), the 2005 Master Plan and Transportation Demand Management Plan for the campus located bicycle parking on the edges of the campus core to separate bicycle traffic from pedestrians and provide direct connections to major bicycle facilities. To address concerns regarding bicycle parking at the building site and nearby, Mitigation Measure TRANS-1 has been modified to address the concerns by providing on-and off-site bicycle parking as well as to maintain consistency with the 2005 Master Plan and the Transportation Demand Management Plan.

Ivy Street (which becomes Warner Street north of the project site) is a public street under jurisdiction of the City of Chico. City Public Works staff have not raised concerns regarding pedestrian crossings at this location, and noted that the addition of the landscaping wall (which will be retained) has reduced jay walking on Ivy Street. Per Master Plan Mitigation Measure 3.13-3, the university will continue to monitor pedestrian crossings and the need for future traffic control devices.

Jann Reed (local resident): expressed concerns that the proposed Siskiyou II Science Building's footprint would extend into the area that is prohibited from development due to proximity to Big Chico Creek; construction vehicles associated with the proposed project would use residential streets in Mansion Park for access to or departure from campus; the possibility for pile driving as part of the project construction process; the possibility that the existing sewer system for the city would not be able to handle the additional load from the liquid waste generated by the proposed project; and the possibility that construction noise would extend beyond the times allowed by the city's noise ordinance.

CSU Response: As stated in Section 2.4.2, Building and Site Design, of the Draft MND, the existing Siskiyou building extends partially into the 100-foot setback from Big Chico Creek. Mitigation Measure 3.3-1a of the 2005 Master Plan EIR, which states that individual projects should employ a 100-foot setback from the creek to avoid impacts to the valley elderberry longhorn beetle, and if the setback is deemed infeasible to complete the proposed project, protocol level surveys for valley elderberry longhorn beetle will be performed. To address this provision, the project will establish a 25-foot construction buffer per Mitigation Measure 3.3-1a and avoid direct and indirect effects to the species through practices to minimize runoff and sedimentation from construction. The campus has consulted with the United States Fish and Wildlife Service and confirmed the acceptability of this approach, which is incorporated into project-specific Mitigation Measure BIO-1.

REVISED

CPB&G

Agenda Item 3

January 29-31, 2018

Page 6 of 7

In terms of access on residential streets, as noted in Section 2.5 of the MND, construction access would primarily be from Ivy Street, using the existing access road north of the project site. Due to the location of the project relative to Mansion Park, and the lack of heavy vehicle crossings over Big Chico Creek, there would be no need for vehicles to use Mansion Park streets. Relating to pile driving, as discussed in Impact 12-b, on page 100 of the Draft MND, project construction is not expected to involve pile driving as part of the foundation construction. In terms of sewer capacity, a sewer capacity study prepared for the project has found that the Ivy Street main would adequately accommodate the proposed project (Sewer Loading Study for Science Replacement Building, April 19, 2017, Prepared by Robertson Erickson Civil Engineers and Surveyors). Relating to noise, as described in Section 12, Noise, Mitigation Measure 3.9-3c would be implemented to reduce impacts from construction noise on nearby receptors. This measure is consistent with the City of Chico Municipal Code.

James C. Pushnik (Director of Institute for Sustainable Development, CSU Chico): indicates a concern from faculty relating to GHG emissions and the campus' compliance with campus and public commitments toward achieving climate neutrality by 2030. The commenter states that the campus adopted a Climate Action Plan in 2011, and expresses concern regarding the increased campus emissions associated with the proposed project.

CSU Response: The project would result in an increase of approximately 664 metric tons of carbon dioxide equivalent (MT CO₂E) per year relative to existing conditions and well below the threshold of 10,000 MT CO₂E per year, which is utilized to determine a significant impact. Of note, the assumptions regarding natural gas consumption have refined in the Final MND from those originally identified in the Draft MND.

Nani Teves (Associated Students Sustainability Coordinator, CSU Chico): identifies comments related to bicycle parking, GHG emissions, and the 100-foot setback from the top of the creek bank which were addressed above. Rooftop solar should be considered as one of the strategies to offset GHG emissions for the proposed project. Recommendations were made of several mitigations to reduce stormwater impacts, increase groundwater recharge, and conserve water as well as mitigation measures related to solid waste. Furthermore, as up to 50 percent of the proposed building's exterior will be glass and as it would be located near the Big Chico Creek wildlife corridor, mitigation to prevent birds from colliding with windows should be included.

CSU Response: See previous responses related to bicycle parking, GHG emissions, and the 100-foot setback. The request for roof top solar is noted. As analyzed in Section 9, Hydrology and Water Quality, of the Draft MND, the proposed project would not substantially increase stormwater and groundwater impacts. Therefore, no new mitigation measures are required for the proposed project. While no specific impacts related to solid waste have been identified, the university is committed to reducing solid waste. As the proposed building will reach a minimum sustainability

target of LEED Silver, building features may include the items listed by the commenter. The proposed design would likely include interior or exterior shading, which would reduce the amount of exposed clear glass.

The Final Mitigated Negative Declaration (MND) has been prepared and is presented to the trustees for review and adoption. The Final MND found that the implementation of the proposed project will not result in any significant unavoidable environmental impacts with implementation of the mitigation measures.

The final documents, including the Mitigation Monitoring and Reporting Program are available online at: <http://www.csuchico.edu/pdc/masterplan.shtml>.

Recommendation

The following resolution is presented for approval:

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

1. The Initial Study and Mitigated Negative Declaration have been prepared to address any potential significant environmental impacts, mitigation measures, comments, and responses to comments associated with approval of the Siskiyou II Science Replacement (Seismic) Building, and all discretionary actions related thereto, as identified in the Final Initial Study and Mitigated Negative Declaration.
2. The Mitigated Negative Declaration was prepared pursuant to the California Environmental Quality Act and the state CEQA guidelines.
3. This resolution is adopted pursuant to the requirements of Section 21081 of the Public Resources Code and Section 15091 of the state CEQA Guidelines, which requires that the Board of Trustees make findings prior to the approval of a project that the mitigated project as approved will not have a significant effect on the environment and the project will be constructed with the recommended mitigation measures, and the project will benefit the California State University.
4. The chancellor is requested under Delegation of Authority granted by the Board of Trustees to file the Notice of Determination for the project.
5. The schematic plans for the California State University, Chico Siskiyou II Science Replacement (Seismic) Building are approved at a project cost of \$101,137,000 at CCCCI 6255.

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

California State University, East Bay Master Plan Revision

Presentation By

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Summary

This agenda item requests the following actions by the California State University Board of Trustees regarding the California State University, East Bay (CSUEB) Master Plan Revision:

- Set aside and vacate the Board of Trustees' September 2009 approval of the Master Plan and its related findings.
- Decertify the 2009 Final Environmental Impact Report for the CSUEB Campus Master Plan (the 2009 FEIR).
- Certify the Partial Recirculated Final Environmental Impact Report (2017 PR-FEIR) for the CSUEB Master Plan.
- Certify the 2009 FEIR as modified by the 2017 PR-FEIR, including the Pioneer Heights and Parking Structure 1 near term projects.
- Approve the CSUEB Master Plan.
- Approve funding for future off-site, fair share mitigation in the amount of \$2,331,618.

Background

At its September 2009 meeting, the Board of Trustees adopted a resolution (RCPBG 09-09-14) approving the Master Plan, certified as adequate the 2009 FEIR prepared pursuant to the California Environmental Quality Act (CEQA), and adopted the CEQA findings, including Findings of Fact and Statement of Overriding Considerations. The Master Plan outlined all aspects of physical development and planned land use that would be necessary to accommodate the Master Plan ceiling enrolment of 18,000 Full-Time Equivalent Students (FTES). The Master Plan inclusive of two site-specific near term projects (Pioneer Heights Student Housing, Phase IV and Parking Structure 1), which were analyzed at a project specific level in the 2009 FEIR, is collectively referred to as the "Project."

The 2009 FEIR concluded that the build out of the Project would result in significant and unavoidable impacts related to aesthetics, cultural resources, air quality, and traffic. All other impacts could be mitigated to a “less than significant” level with the adoption and implementation of the mitigation measures identified in the 2009 FEIR.

The City of Hayward and two local community groups (“Petitioners”) filed a lawsuit challenging the adequacy of the 2009 FEIR. On December 21, 2010, the Alameda County Superior Court entered a judgment in favor of Petitioners finding that the 2009 FEIR was not adequate under CEQA. The Board of Trustees appealed the trial court’s decision and judgment to the California Court of Appeal, First Appellate District. On May 30, 2012, the Court of Appeal issued a decision reversing the trial court, finding that the 2009 FEIR was adequate and prepared in accordance with CEQA with the exception of the 2009 FEIR’s analysis of the Project’s impacts on an adjacent regional park. The Court of Appeal also rejected Petitioners’ challenge to the Board of Trustees’ findings with respect to the feasibility of funding the Project’s fair share of future off-site mitigation for Project related traffic impacts. Petitioners then sought review of the appellate court’s decision by the California Supreme Court. The California Supreme Court granted Petitioners’ petition for review and held the case pending its consideration of and decision in *City of San Diego v. Board of Trustees of California State University* (2015) 61 Cal.4th 945 (*City of San Diego*).

Following the Supreme Court’s issuance of its opinion in *City of San Diego*, the Supreme Court remanded this case back to the Court of Appeal for reconsideration in light of that decision and its directions with respect to Board of Trustees’ consideration of the feasibility of funding off-campus mitigation measures. The Court of Appeal published a revised decision in *City of Hayward v. Trustees of the California State University* (2015) 242 Cal.App.4th at 833. The revised decision upheld its prior determination that the Board of Trustees complied with the requirements of CEQA in approving the Project and certifying the 2009 FEIR, with the exception of the 2009 FEIR’s analysis of Project impacts on an adjacent regional park. In addition, the Court of Appeal found that the Board of Trustees, in reconsidering the Project following completion of a revised FEIR analyzing the Project’s parkland impacts, should reconsider the board’s prior findings on the feasibility of funding the Project’s fair share of off-campus traffic mitigation in accordance with the guidance provided in *City of San Diego*.

The Court of Appeal then remanded the case to the Alameda County Superior Court, who on October 17, 2016 entered two judgments (one for each of the originally filed petitions) and a Peremptory Writ of Mandamus (Writ) directing the Board of Trustees to take the actions requested in this item. The Writ also directed the Board of Trustees to provide the court with a return on the Writ specifying what actions the Board of Trustees has taken or intends to take to comply with the Writ.

In accordance with the Writ, the following steps have been completed:

1) Parklands: CSUEB prepared the Partial Recirculated Final Environmental Impact Report (2017 PR-EIR) which analyzes the Project's environmental impacts to parks and recreation facilities, including the adjacent Garin Regional Park. The 2017 PR-EIR considered and responded to the comments submitted by various agencies, including the City of Hayward and the public, and concluded that Project park impacts would be less than significant. A summary of the responses to comments and issues at controversy is provided below.

2) Traffic Mitigation: CSUEB and representatives of the California State University Office of the Chancellor (together, CSU) held numerous meetings with the City of Hayward in an effort to reach agreement regarding the amount and procedures for payment of future off-site, fair share mitigation for off-campus traffic impacts in the amount of \$2,331,618 attributed to future campus growth under the Project. After meeting in good faith over a period of several years, however, the city and the CSU have still been unable to reach agreement on the amount or process for the fair-share payment. It is important to note that the Petitioners' did not challenge in any of the legal proceedings the Board of Trustees' original finding that the campus' future off-site, fair share mitigation is \$2,331,618. Accordingly, this finding is now deemed adequate, is not within the scope of relief ordered in the Writ, and is not being reconsidered as part of this requested action. In compliance with the Writ, and as discussed further below, a revised resolution has been prepared for the Board of Trustees' consideration which sets forth the CSU's commitment to funding future off-site, fair share mitigation.

This item is returning to the CSU Board of Trustees to (1) set aside and vacate its original approval of the CSUEB Master Plan; (2) de-certify the 2009 FEIR; (3) certify the 2017 PR-EIR and re-certify the 2009 FEIR as modified by the 2017 PR-EIR; and (4) re-approve the Master Plan and associated board findings as modified in compliance with the Writ. Attachment A is the proposed Master Plan. Attachment B is the existing campus master plan approved by the Board of Trustees in January 2001.

The CSUEB Master Plan, 2009 FEIR, 2017 PR-EIR, Findings of Fact and Statement of Overriding Considerations are available for review by the Board of Trustees and the public at <http://www.csueastbay.edu/facilities-design/master-plan/environmental-impact-report.html>.

Master Plan

CSUEB's enrollment ceiling of 18,000 FTES has remained unchanged since 1963. The campus currently has capacity for approximately 11,350 FTES. By 2007 enrollment growth reached nearly 10,000 FTES. At that time, the campus administration initiated the necessary steps to update the campus master plan. The major objectives of the Master Plan include:

- Support the 2008 Academic Plan.
- Identify the physical resources necessary to accommodate future campus build out.
- Prioritize campus physical improvements based on academic planning needs, facility renewal and long term growth.
- Coordinate the location of existing and future improvements to improve function, promote access and improve aesthetics.
- Improve, update and replace outdated, inefficient and obsolete facilities.
- Create a functional and attractive campus that enhances the learning environment.

The key components of the Master Plan are:

- A 20- to 30-year guide for development.
- Maintain the enrollment ceiling of 18,000 FTES.
- A multi-story housing development, with goal of 20 percent headcount enrollment on-campus housing capacity.
- Multi-level parking structures to preserve valuable land while providing up to 6,700 spaces campuswide.
- Preservation and enhancement of open space.
- Environmentally sustainable development and operation strategies.

Implementation of the Master Plan will involve the construction of new facilities, as well as the demolition and replacement of existing facilities that are seismically deficient or functionally obsolete. Full build out of the Master Plan over time would result in the future construction of 1,039,000 square feet of academic, administrative and support space; student housing (3,770 beds); faculty/staff housing (220 units); and approximately 4,400 parking spaces.

The two near term projects, Pioneer Heights Student Housing, Phase IV (#41¹) and Parking Structure 1 (#45) (Harder Road Parking Structure), are analyzed in volume II of the 2009 FEIR and the 2017 PR-EIR. Pioneer Heights IV would provide 600 beds in four structures, each four to six stories in height, located adjacent to other student housing facilities at the southern portion of the campus. Parking Structure 1 would provide approximately 1,100 parking spaces in a five-story structure on the southwest side of campus.

¹ The facility number is shown on the master plan map and recorded in the Space and Facilities Database.

CEQA Challenge and Court Rulings

The 2009 FEIR was challenged by the City of Hayward and two local community groups, Hayward Area Planning Association and Old Highlands Homeowners Association (collectively, Petitioners). The trial court initially agreed with the Petitioners that the 2009 FEIR failed to adequately analyze the Project's impacts on fire protection and public safety, traffic and parking, air quality, and parklands. The Board of Trustees appealed the trial court's decision to the Court of Appeal, First Appellate District.

The First District disagreed with the trial court and found the 2009 FEIR to be adequate in all respects with the exception of the FEIR's analysis of potential environmental impacts to Garin Regional Park and Dry Creek Pioneer Regional Park, two large regional parks adjacent to the southern border of CSUEB. The campus shares a boundary with Garin Regional Park; Dry Creek Pioneer Regional Park is located to the south of Garin Regional Park. The Court of Appeal found that the 2009 FEIR's analysis and conclusions regarding the Project's parkland impacts were not supported by substantial evidence and directed the Board of Trustees to:

- Consider the specific impacts of campus growth on two neighboring parks, Garin Regional Park and Dry Creek Pioneer Regional Park.
- Provide factual evidence to support the statement that the new students would make the same nominal use of these nearby parks as the existing students.

The Court of Appeal specified that supplemental CEQA review should be conducted to:

- Determine the extent to which the existing students use the adjacent parklands or to extrapolate from such data estimated increased usage by the additional approximately 5,500 anticipated full-time equivalent students.
- Calculate existing parkland use made by the existing 1,200 residential students and extrapolate from such data the increase in use by the additional 600 students anticipated to live in Pioneer Heights IV, the near term student housing project.
- Provide evidence regarding overall usage or capacity of the neighboring parks.

The Court of Appeal accordingly reversed the trial court's judgment except to the extent it required the Board of Trustees, before considering certification of a revised FEIR, to revise the analysis of Project impacts to area parklands.

Petitioners then sought review by the California Supreme Court. The Supreme Court granted review, and then held the case pending its decision in *City of San Diego*. Following the Supreme Court's issuance of its decision in the *City of San Diego*, the Supreme Court remanded this case to the Court of Appeal for reconsideration in light of that decision. The Court of Appeal then

re-issued and republished its decision², with modifications to address the direction provided by the California Supreme Court in *City of San Diego* with respect to the feasibility of funding off-campus mitigation measures. Specifically, the Court of Appeal acknowledged that the city had failed to exhaust the mitigation funding issues raised in *City of San Diego*, but given the clarity provided by the Supreme Court and the public importance of the Project, that the Board of Trustees should reconsider its findings on mitigation funding. The Court of Appeal then remanded the case back to the trial court for issuance of judgment and a peremptory writ of mandamus in accordance with the Court of Appeal decision.

On October 17, 2016, the Alameda County Superior Court issued the judgments and Writ. The Writ directed the following actions with respect to the Board of Trustees' future re-consideration of the CSUEB Master Plan:

- Traffic/Mitigation Funding: CSU shall reconsider the feasibility of funding its fair share contribution of traffic mitigation at off-campus intersections.
- Parkland Impacts: CSU shall undertake such further studies to evaluate and consider the Project's impacts on the Garin Regional Park and Dry Creek Regional Park.

Partial Recirculated EIR

A Draft Partial Recirculated EIR (Draft 2017 PR-EIR) was prepared to analyze and disclose the Project's potential park and recreational impacts in accordance with the direction from the Court of Appeal and the Writ. The campus also undertook a comprehensive review of the 2009 FEIR and concluded that no other sections of the 2009 FEIR outside of the parkland analysis needed to be updated or modified as part of the 2017 PR-EIR in order to comply with the Writ. The Draft 2017 PR-EIR was circulated for agency and public review for a 45-day period that ended on May 11, 2017. The campus then prepared the Partial Recirculated Final EIR (2017 PR-FEIR) which is comprised of the Draft 2017 PR-EIR, the written agency and public comments received on the Draft 2017 PR-EIR during the comment period, and the responses to comments. The 2017 PR-FEIR replaces the original recreation and parkland analysis in the 2009 FEIR; all other portions of the 2009 FEIR are unchanged. This 2017 PR-FEIR is to be used in conjunction with the 2009 FEIR to inform the Board of Trustees, responsible and trustee agencies, other public agencies and members of the public of the potential environmental effects from the implementation of the Project.

The 2017 PR-FEIR documents CSUEB's further investigation and analysis of campus-related use of nearby parks, including a detailed evaluation of campus use of the directly adjacent Garin Regional Park. In order to evaluate whether campus population growth under the Master Plan,

² *City of Hayward v. Trustees of the California State University* (2015) 242 Cal.App.4th at 833.

including the increase in on-campus residential population, would result in an increase in the use of the nearby Garin Regional Park, CSUEB gathered park use data by conducting surveys at key Garin Regional Park entrances near the campus. The surveys were conducted on dates and during time windows where campus related park use is expected to be at its highest levels. The surveys demonstrated campus use of nearby parks is very low/nominal, with an average of two to three students (resident and non-resident), one to two resident students, and less than one faculty using the regional park on a daily basis. The 2017 PR-FEIR then extrapolated this data to determine how many additional students would utilize nearby parks at CSUEB Master Plan build out. The 2017 PR-FEIR concluded that build out under the Master Plan would lead to an increase of two additional students, up to four additional resident students, and less than one additional faculty member using the regional park on a daily basis. The 2017 PR-FEIR concluded that this small increase in the campus-related population use of the nearby parkland would not result in a significant adverse impact to park facilities. CSUEB also consulted with the East Bay Regional Park District (EBRPD), and EBRPD staff concurred that this small increase in campus-related park use would not result in significant adverse park impacts.

Based on this analysis, the 2017 PR-FEIR concluded that the Project would not result in significant adverse impacts to the adjacent and nearby park facilities and no further mitigation measures were proposed. All other components of the 2009 FEIR remain unchanged, and accordingly there are no new significant environmental impacts or mitigation measures associated with the Project. In addition, there are no substantial increases in the severity of environmental impacts that would result from the Project, and there are no feasible project alternatives or mitigation measures different from others previously analyzed.

Potentially Contested Issues

1. Off-Campus Traffic Mitigation: Comments received on the Draft 2017 PR-EIR focused on mitigation for off-site traffic impacts. One comment requested that CSU include a discussion of (a) how CSU will mitigate off-site environmental impacts, (b) specify which off-site environmental impacts will be mitigated, and (c) explain the significance of the environmental impacts following the adoption of binding mitigation.

CSU Response: The Court of Appeal found the 2009 CSUEB Master Plan FEIR's traffic analysis was adequate in all respects, and upheld the Board of Trustees' adoption of traffic mitigation measures and its calculation of the university's fair share contribution for traffic mitigation at off-site intersections (\$2,333,618). The only issue subject to further review is the feasibility of funding the campus' fair share contribution for off-site intersection improvements, and that issue is addressed as part of this agenda item's resolution.

2. Parklands: Several comments questioned the park analysis, asserting that surveys were not appropriately conducted and that the additional campus-related park users were underestimated. Resident students who would be added to the campus as a result of the Pioneer Heights Student Housing, Phase IV project would be closer to the regional park and hence likely to have a greater impact than existing resident students.

CSU Response: The PR-FEIR presents detailed responses that demonstrate surveys were conducted during the times of the year when the highest numbers of students are present on the campus on both weekdays as well as weekends. The surveys therefore accurately reflect the current levels of park use by the campus-related population, and the estimates of future use based on these surveys are both reasonable and good-faith estimates. The PR-FEIR also demonstrates that Pioneer Heights Student Housing, Phase IV is an extension of the existing student housing complex and would be located only slightly closer to the regional park and therefore would not have a greater than projected impact. Furthermore, EBRPD, who was consulted during the preparation of the Draft 2017 PR-EIR, confirmed that given the low levels of park usage by the campus-related population, there would be no adverse environmental impacts on the regional park.

3. Parking Structure 1: One comment contends changed circumstances would require reconsideration of this near term project.

CSU Response: The Court concluded that the EIR analysis of the traffic impacts of the Master Plan, including the impacts from the construction and operation of the Harder Road Parking Structure (Parking Structure 1), was adequately evaluated and disclosed in the 2009 CSUEB Hayward Campus Master Plan FEIR. Therefore no further analysis and recirculation of traffic impacts, including those associated with the Harder Road Parking Structure, is required.

Off-Campus Mitigation Funding and Meetings with City of Hayward

The 2009 FEIR concluded that build out under the Master Plan would result in significant traffic impacts at eight city intersections and seven Congestion Management Program (CMP) and Metropolitan Transportation System (MTS) roadway segments. As explained in the 2009 FEIR, while the Project's traffic mitigation measures would reduce cumulative traffic impacts, it was not feasible to mitigate these impacts to a less than significant level due to the lack of physical capacity to accommodate additional intersection or roadway segment improvements. As further explained in the 2017 PR-FEIR Response to Comments 1-1:

“With respect to traffic impacts at off-campus intersections, the analysis in the 2009 Master Plan EIR (at MP Impact TRANS-1) found that eight study intersections would be significantly affected by cumulative growth in traffic plus traffic associated with the CSUEB Master Plan. The EIR noted that all of those intersections are within the Mission and Foothill Boulevard corridors for which improvements had already been designed and were already fully funded by the state

under the SR 238 Corridor Improvement project at the time that the EIR was prepared (Draft EIR page 4.12-43) and further capacity expansions at these locations were not physically feasible. Therefore, the EIR set forth a robust expansion of the Campus' TDM [Transportation Demand Management] program as mitigation (see MP MM TRANS-1a and TRANS-1b) to mitigate that traffic impact and did not identify any additional mitigation (such as off-site improvements) for those eight affected intersections. Please note that SR 238 Corridor Improvement project has since been completed and all planned intersection improvements have been constructed. The EIR concluded that even with the incorporation of MP MM TRANS-1a and MP MM TRANS-1b, that this traffic impact would remain significant and unavoidable due to physical infeasibility.”

Nonetheless, as part of the CSU's fair share negotiations with the City of Hayward pursuant to *City of Marina v. Board of Trustees of California State University* (2009) 39 Cal.4th 341 (*City of Marina*), the city identified additional intersection and roadway segment improvements that would improve traffic conditions in and around CSUEB (although such improvements would not further mitigate the impacted intersections and segments identified in the FEIR due to physical infeasibility). CSU agreed that it would contribute its fair share cost for the city identified off-site intersection and roadway improvements to be documented in a Memorandum of Understanding (MOU) between the city and the CSU.

As part of the 2009 CSUEB Master Plan approval, the Board of Trustees determined that the Project's fair share mitigation obligation for these off-site traffic improvements was \$2,331,618. The City of Hayward did not challenge the Board of Trustees' calculation of the university's fair share costs. If all Project improvements are built as proposed to meet the enrollment ceiling of 18,000 FTES, the traffic mitigation improvements would require funding over a period of 20 to 30 years.

Following issuance of the Writ, the CSU again held meetings with the City of Hayward in an effort to reach agreement regarding the amount and process for the CSU's fair share payments for off-site traffic mitigation measures. After meeting in good faith over the last year, the city and the CSU have still been unable to reach agreement. CSU is continuing its discussions with the City of Hayward.

The following process is proposed with respect to the Project's fair share contribution for off-site traffic mitigation:

- The Board of Trustees reapproves the Project's original fair share calculation of \$2,331,618 and authorizes the use of such funding for off-site traffic mitigation. The funds are expected to be sourced from future state capital or operating budget funding, the CSU, self-support entities and/or other entities.

- The CSU's fair share mitigation funds would be deposited into a restricted account whereby the funds would be released to the city when the designated traffic improvement has been designed, budgeted and approved by the city for construction, and the city has secured all remaining funds and approvals necessary to proceed with the traffic improvement.

This process would be documented in an MOU with the city consistent with Master Plan Mitigation Measures TRANS-1a and TRANS-5. This process is designed and intended to comply with the California Supreme Court's directions in *City of Marina* and *City of San Diego*, the opinion of the Court of Appeal, the Writ and California State University policy.

Recommendation

The following resolution is presented for approval:

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

1. In accordance with the Writ of Peremptory Mandamus (Writ) issued by the Alameda County Superior Court (Case Nos. RG09481095 and RG09480852), the Board of Trustees hereby sets aside and vacates its September 22, 2009 resolution (RCPGB 09-09-14) approving the California State University East Bay Hayward Campus Master Plan Revision, inclusive of two site-specific near term projects (Pioneer Heights Student Housing, Phase IV and Parking Structure 1), collectively the Project, and certifying the associated 2009 Final Environmental Impact Report, Findings of Fact, the Mitigation Monitoring and Reporting Program and the Statement of Overriding Considerations.
2. The 2017 Partial Revised Final Environmental Impact Report for the Master Plan (2017 PR-FEIR) has been prepared to address the items identified in the Court of Appeal's decision in *City of Hayward v. The Trustees of the California State University* (2015) 242 Cal.App.4th at 833 (*City of Hayward*) and the Writ.
3. The 2009 FEIR, as modified by the 2017 PR-FEIR, has been prepared to address potential significant environmental impacts, mitigation measures, project alternatives, comments and responses to comments associated with the CSUEB Master Plan pursuant to the requirements of the California Environmental Quality Act (CEQA), the State CEQA Guidelines, and CSU CEQA procedures.
4. The 2009 FEIR, as modified by the 2017 PR-FEIR, addresses the proposed CSUEB Master Plan and all discretionary actions related to the Project, as identified in the Introduction, Section 1, and Project Description, Section 2 of the 2009 FEIR.

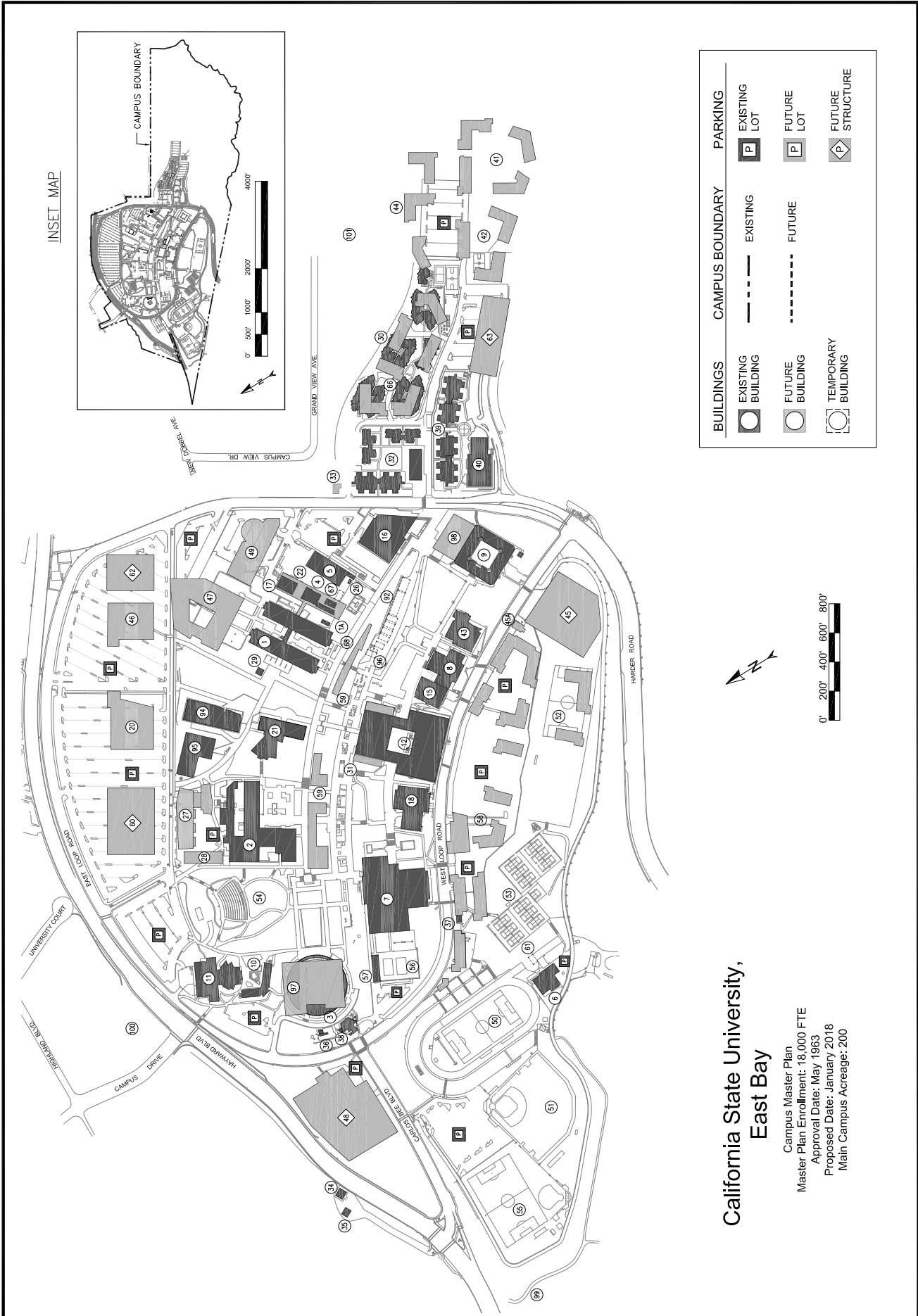
5. This resolution is adopted pursuant to the requirements of Section 21081 of the Public Resources Code and Section 15091 of the State CEQA Guidelines, which require that the board make findings prior to approval of any project along with statement of fact supporting each finding.
6. This board has reviewed and considered the additional information prepared for Agenda Item 3 of the January 30-31, 2018 meeting of the Committee on Campus Planning, Buildings and Grounds regarding the re-certification of the 2009 FEIR, as modified by the 2017 PR-FEIR, which identifies specific impacts of the proposed Project and related mitigation measures which are hereby incorporated by reference.
7. This board has reconsidered its September 2009 Project approvals in light of the analysis set forth in the 2009 FEIR as modified by the 2017 PR-FEIR, and all other information and analysis specified in the record for this Project. This board hereby adopts findings approving the Project including the revised Findings of Fact and Statement of Overriding Consideration as expressly set forth herein and in order to comply with the Writ.
8. The board adopts the revised Findings of Fact and related mitigation measures identified in the Mitigation Monitoring Program for Agenda Item 3 of the January 30-31, 2018, meeting of the Board of Trustees' Committee on Campus Planning, Buildings and Grounds that identifies specific impacts of the proposed Project and related mitigation measures, which are hereby incorporated by reference.
9. The board adopts the revised Findings of Fact that include specific Overriding Considerations that the benefits of the Project outweigh certain remaining unavoidable significant impacts to aesthetics, air quality, cultural resources, and traffic as disclosed in the 2009 FEIR as modified by the 2017 PR-FEIR.
10. The board concludes that the Project's fair share of off-site future traffic mitigation is \$2,331,618. This figure is based upon certain traffic improvements identified by and within the jurisdiction of the City of Hayward in order to improve traffic conditions near campus. This off-site traffic mitigation will not mitigate the Project's cumulatively significant and unavoidable traffic impacts to the eight intersections and seven roadway segments identified in the 2009 FEIR, as it is physically infeasible to construct further improvements to these intersections and segments. Therefore, the board adopts Findings of Facts that include specific Overriding Considerations that benefits of the Project outweigh the remaining significant and unavoidable traffic impacts.

11. Consistent with the California Supreme Court decisions in *City of Marina* and *City of San Diego* and the Writ, the Board approves the use of \$2,331,618 for its fair share of future off-site mitigation. The funds are expected from future state capital or operating budget funding, the CSU, self-support entities and/or other entities.
12. The fair share mitigation funds shall be deposited into a restricted account whereby the funds would be released to the City of Hayward only when the designated traffic mitigation improvement has been designed, budgeted for construction and approved by the city, and the city has secured all remaining funds and approvals necessary and is proceeding with the traffic improvement. This shall be further documented in a Memorandum of Understanding with the City of Hayward.
13. The City of Hayward has requested fees be paid by CSUEB for mitigation of public services impacts with regard to public safety (police and fire emergency response). In *City of Hayward*, the Court of Appeal expressly affirmed the Board of Trustees' determination that CSUEB is not obligated to pay fees to the City of Hayward for such services.
14. Prior to re-certification of the 2009 FEIR as modified by the 2017 PR-FEIR, the board has reviewed and considered the 2009 FEIR as modified by the 2017 PR-FEIR and finds that it reflects the independent judgment of the Board of Trustees. The board hereby concurs with and certifies the 2017 PR-FEIR and the 2009 FEIR as modified by the 2017 PR-FEIR prepared for the proposed Project as complete and adequate and in conformance with CEQA, the State CEQA Guidelines and the requirements imposed by the Writ.

For the purposes of CEQA and the State CEQA Guidelines, the record of the proceedings for the Project includes the following:

- a. The approval of the 2009 CSUEB Master Plan;
- b. The 2009 FEIR, including all comments received and responses to these comments;
- c. All proceedings before the Board of Trustees relating to the Project, including testimony and documentary evidence introduced at such proceedings;
- d. All records of court proceedings, including, but not limited to the Peremptory Writ of Mandate issued on October 17, 2016;
- e. The 2017 PR-FEIR, which replaces the 2009 FEIR recreation and parkland analysis, including all comments received and responses to these comments; and;
- f. All attachments, documents incorporated, and references made in the documents as specified in items (a) through (e) above.

15. All of the above information is on file with the California State University, Office of the Chancellor, Capital Planning, Design and Construction, 401 Golden Shore, Long Beach, California 90802-4210, and at California State University, East Bay, Facilities Development and Operations, 25800 Carlos Bee Blvd, Hayward, CA 94542-3004.
16. The board hereby directs that the 2009 FEIR as modified by the 2017 PR-FEIR be forwarded to the Alameda County Superior Court for its consideration in accordance with the Writ, and that the 2009 FEIR as modified by the 2017 PR-FEIR be considered in any further actions on the Project.
17. The Project will benefit the California State University.
18. The two designated near term CSUEB Master Plan projects identified and described in the 2009 FEIR and 2017 PR-FEIR are: (1) Pioneer Heights Student Housing, Phase IV (600 beds) and (2) Parking Structure 1 (1,100 spaces). The board has determined the near term projects are fully analyzed at the project level in the 2009 FEIR as modified by the 2017 PR-FEIR for purposes of compliance with CEQA and hereby approves such near term projects for implementation and construction as being in compliance with CEQA requirements.
19. The CSUEB Master Plan Revision relating to the 2009 FEIR and 2017 PR-FEIR is hereby approved effective January 2018.
20. The chancellor or his designee is requested under the Delegation of Authority granted by the Board of Trustees to file the Notice of Determination for the Project.



California State University, East Bay

Master Plan Enrollment: 18,000 FTE

Master Plan approved by the Board of Trustees: May 1963

Master Plan Revision approved by the Board of Trustees: March 1965, July 1970, May 1971, October 1976, May 1978, November 1985, May 1993, January 2001, *Proposed: January 2018*

- | | |
|--|---|
| 1. Science Building | 60. <i>Parking Structure 3</i> |
| 1A. Science Annex | 61. Field House Modular |
| 2. Art and Education | 62. <i>Parking Structure 4</i> |
| 3. Music Building | 63. <i>Parking Structure 5</i> |
| 4. Facilities Management | 66. <i>Pioneer Heights Student Housing, Phase VII</i> |
| 5. Corporation Yard | 67. FD&O Modular |
| 6. Field House | 94. Student Services and Administration |
| 7. Physical Education Facility | 95. Student and Faculty Support |
| 8. University Union | 97. <i>Classroom Building II</i> |
| 9. Alexander Meiklejohn Hall (Classroom) | 98. <i>Alexander Meiklejohn Hall (Classroom) Addition</i> |
| 10. Karl F. Robinson Hall (Speech and Drama) | 99. <i>Faculty/Staff Housing North</i> |
| 11. University Theatre | 100. <i>Faculty/Staff Housing East</i> |
| 12. Library | 101. <i>Faculty/Staff Housing South</i> |
| 15. Foundation/Bookstore | |
| 16. Recreation and Wellness Center | |
| 17. Plant Operation | |
| 18. Student Health Center | |
| 20. <i>Performing Arts Center</i> | |
| 21. Wayne and Gladys Valley Business and Technology Center | |
| 22. <i>Science Addition</i> | |
| 27. <i>STEM Education Building</i> | |
| 28. <i>Classroom</i> | |
| 29. Food Kiosk | |
| 30. Pioneer Heights, Phase I (Student Apartments) | |
| 31. <i>Library Addition</i> | |
| 32. Pioneer Heights Student Housing, Phase II | |
| 34. Switch Gear House | |
| 35. Boat Shed | |
| 36. Fuel Cell Facility | |
| 37. Welcome Center | |
| 38. Operations Building | |
| 39. Pioneer Heights Student Housing, Phase III | |
| 40. Pioneer Heights Dining Facility | |
| 41. <i>Pioneer Heights Student Housing, Phase IV</i> | |
| 42. <i>Pioneer Heights Student Housing, Phase VI</i> | |
| 43. University Union Expansion | |
| 44. <i>Pioneer Heights Student Housing, Phase V</i> | |
| 45. <i>Parking Structure 1</i> | |
| 45A. <i>Parking Services Building</i> | |
| 47. <i>Learning Commons/Library Annex</i> | |
| 48. <i>Parking Structure 2</i> | |
| 49. <i>Corporation Yard Complex</i> | |
| 50. Pioneer Stadium | |
| 51. Baseball Stadium | |
| 52. Athletic Field | |
| 53. Tennis Court | |
| 54. Amphitheatre | |
| 55. Practice Field | |
| 56. Swimming Pool | |
| 57. Mechanical Equipment Building | |
| 58. <i>Student Housing West</i> | |
| 59. <i>Instructional Support Services Complex</i> | |

Contra Costa Off-Campus Center

Master Plan Enrollment: 1,500 FTE

Master Plan approved by the Board of Trustees: November 1988

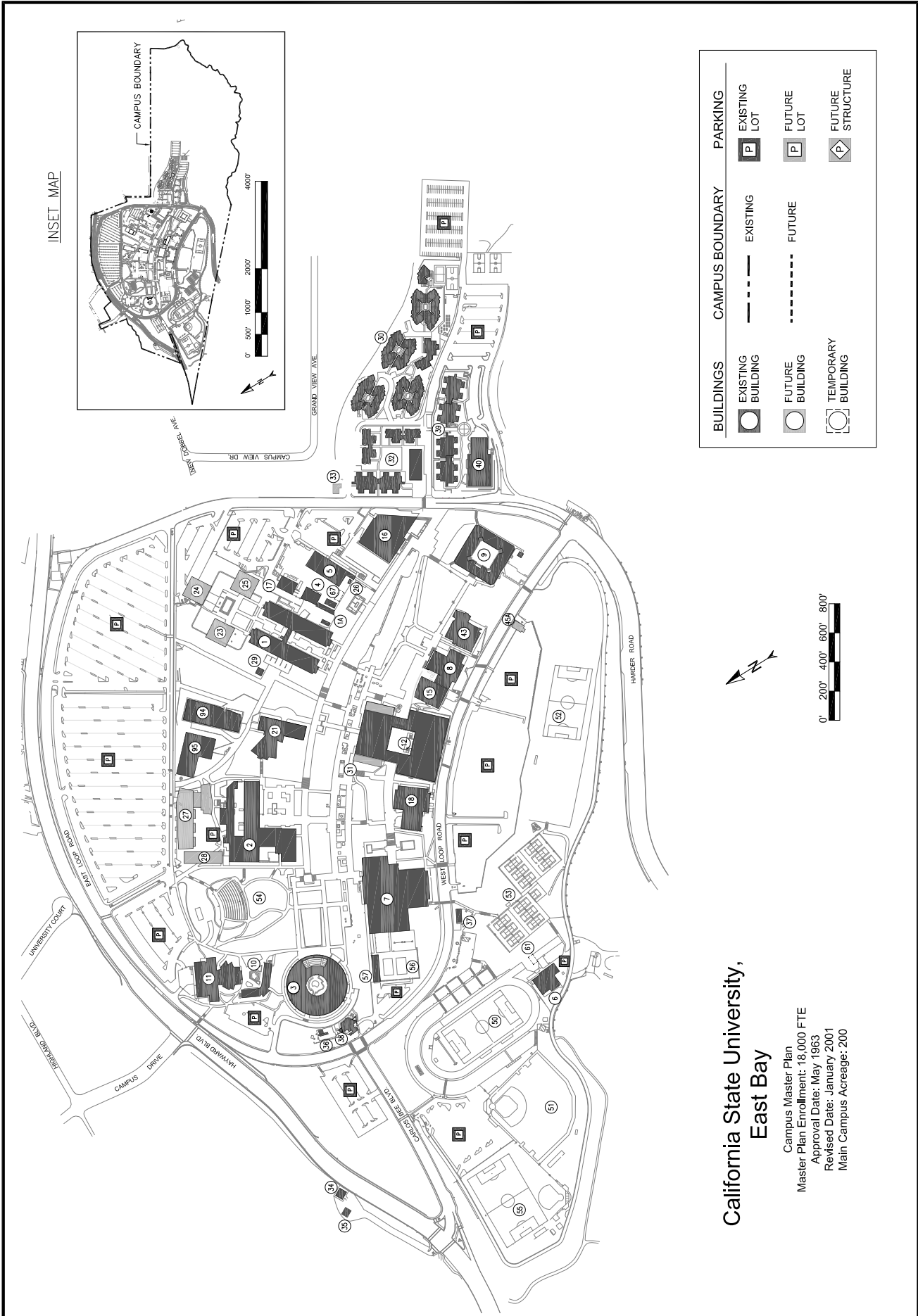
Master Plan Revision approved by the Board of Trustees: January 2001

1. Academic Service
2. Library
3. Contra Costa Hall
4. Student Center
5. Facilities Operations
6. *Academic Building, Phase II*
32. Fire Station
33. Pump House
34. Water Retention Pond
35. Baseball Field
36. Telecommunications House
37. Full-Service Men's and Women's Restrooms
38. Playfield
40. *Playfield 2, Phase II*
41. *Soccer Field, Phase II*
42. *Peanut Playfield, Phase II*
43. *Baseball Field, Phase II*
44. *Playfield 3, Phase III*
45. *Playfield 4, Phase III*
46. *Playfield 5, Phase III*
47. *Playfield 6, Phase III*

LEGEND:

Existing Facility / *Proposed Facility*

NOTE: Existing building numbers correspond with building numbers in the Space and Facilities Data Base (SFDB)



California State University, East Bay

Campus Master Plan
 Master Plan Enrollment: 18,000 FTE
 Approval Date: May, 1963
 Revised Date: January 2001
 Main Campus Acreage: 200

California State University, East Bay

Master Plan Enrollment: 18,000 FTE

Master Plan approved by the Board of Trustees: May 1963

Master Plan Revision approved by the Board of Trustees: March 1965, July 1970, May 1971, October 1976, May 1978, November 1985, May 1993, January 2001

1. Science Building
- 1A. Science Annex
2. Art and Education
3. Music Building
4. Facilities Management
5. Corporation Yard
6. Field House
7. Physical Education Facility
8. University Union
9. Alexander Meiklejohn Hall (Classroom)
10. Karl F. Robinson Hall (Speech and Drama)
11. University Theatre
12. Library
15. Foundation/Bookstore
16. Recreation and Wellness Center
17. Plant Operation
18. Student Health Center
21. Wayne and Gladys Valley Business and Technology Center
23. *Classroom*
24. *Science*
25. *Science*
26. *Corporation Yard*
27. *STEM Education Building*
28. *Classroom*
29. Food Kiosk
30. Pioneer Heights (Student Apartments)
31. *Library Addition*
32. Pioneer Heights Student Housing, Phase II
33. *Maintenance Building (Housing, Phase II)*
34. Switch Gear House
35. Boat Shed
36. Fuel Cell Facility
37. Welcome Center
38. Operations Building
39. Pioneer Heights Student Housing, Phase III
40. Pioneer Heights Dining Facility
43. University Union Expansion
- 45A. *Parking Services Building*
50. Pioneer Stadium
51. Baseball Stadium
52. Athletic Field
53. Tennis Court
54. Amphitheatre
55. Practice Field
56. Swimming Pool
57. Mechanical Equipment Building

61. Field House Modular
67. FD&O Modular
94. Student Services and Administration
95. Student and Faculty Support

Contra Costa Off-Campus Center

Master Plan Enrollment: 1,500 FTE

Master Plan approved by the Board of Trustees: November 1988

Master Plan Revision approved by the Board of Trustees: January 2001

1. Academic Service
2. Library
3. Contra Costa Hall
4. Student Center
5. Facilities Operations
6. *Academic Building, Phase II*
32. Fire Station
33. Pump House
34. Water Retention Pond
35. Baseball Field
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41. *Soccer Field, Phase II*
42. *Peanut Playfield, Phase II*
43. *Baseball Field, Phase II*
44. *Playfield 3, Phase III*
45. *Playfield 4, Phase III*
46. *Playfield 5, Phase III*
47. *Playfield 6, Phase III*

LEGEND:
 Existing Facility / *Proposed Facility*

NOTE: Existing building numbers correspond with building numbers in the Space and Facilities Data Base (SFDB)

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

California State University, San Bernardino Master Plan Revision for Palm Desert Off-Campus Center

Presentation By

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Summary

The California State University Board of Trustees requires that every campus have a long range physical master plan, showing existing and anticipated facilities necessary to accommodate a specified academic year full-time equivalent student enrollment. The board serves as the Lead Agency as defined in the California Environmental Quality Act (CEQA) and approves significant changes to the master plan and takes action to certify CEQA as required to ensure compliance.

This agenda item requests the following actions by the Board of Trustees with regard to California State University, San Bernardino Palm Desert Off-Campus Center:

- Certify the Final Environmental Impact Report (FEIR) dated December 2017.
- Approve the Campus Master Plan dated January 2018 that will enable the campus to accommodate 8,000 full-time equivalent students (FTES¹) in the long range development of the campus.
- Approve funding for future off-site fair share mitigation in the approximate amount of \$5,000.

The Board of Trustees must certify that the FEIR is adequate and complete under CEQA in order to approve the campus master plan revision. Accordingly, because the FEIR has concluded that the proposed master plan revision would result in significant and unavoidable impacts, a Statement of Overriding Considerations is required to address these impacts relating to traffic, air quality, and noise. The FEIR with Findings of Fact and Statement of Overriding Considerations, and the environmental Mitigation Measures are available for review by the board and the public at: <https://www.csusb.edu/master-plan/palm-desert-campus>.

The campus has completed negotiations with the City of Palm Desert on the off-site impacts related to campus growth over the next approximately 20 years. The campus is seeking Board of Trustees' approval to include approximately \$5,000 to pay the university's fair share amount for the

¹ Campus master plan ceilings are based on academic year full-time equivalent student (FTES) enrollment excluding students enrolled in such classes as off-site teacher education and nursing, and on-line instruction.

mitigation of environmental impacts not on CSU land in future capital or operating budget funding from the state, self-support entities, private developers, the CSU, and/or other entities to support the academic program. The City of Palm Desert considered the campus' fair share amount for off-site improvements at its November 16, 2017 meeting and approved a Memorandum of Understanding between the CSU and the city which reflects the agreed upon fair share calculation.

Attachment A is the proposed campus master plan. Attachment B is the existing campus master plan, with the last revision approved by the trustees in May 2000.

Background

The initial Coachella Valley off-campus center was opened in 1986 and was located in leased space at the College of the Desert Community College and offered upper division courses to serve the community. In 1999, the Palm Desert Redevelopment Agency conveyed 40 acres of an approximately 200-acre site to the CSU for the development of a permanent site for the CSU San Bernardino Palm Desert Off-Campus Center. The conveyance was ultimately increased to 55 acres to the CSU with 20 acres to the University of California, Riverside for development and three acres to the City of Palm Desert for the siting of a new fire station. As a result of the state's dissolution of redevelopment agencies the CSU accepted the remaining 113 acres of undeveloped land at the Board of Trustees' meeting in January 2015, bringing the total campus area to 168 acres.

The original campus master plan for the Palm Desert Off-Campus Center was approved by the trustees in May 2000 for the development of the initial 55 acres with an enrollment ceiling of 2,500 FTES. Local municipal funding and private donations of \$33 million were utilized to construct the three phases of initial facilities, which allowed the center to relocate from the College of the Desert Community College to begin operation on the permanent site in 2002. The state provided minimal capital outlay funds, funding only the furnishing and equipment associated with those building projects. The first freshman class was admitted during the 2013 fall quarter, making CSU San Bernardino Palm Desert Off-Campus Center the only four-year public university choice in the Coachella Valley.

Campus Master Plan 2018

The proposed comprehensive Campus Master Plan guides the future physical development of the California State University, San Bernardino Palm Desert Off-Campus Center through the 2035 planning horizon year and incorporates guidelines for design, landscape, and sustainability. The proposed master plan addresses the entire 168-acre site to establish the vision of the long range development of the site to accommodate a potential 8,000 FTE from the 2,500 FTES approved by the board in May 2000.

This proposed master plan will provide the necessary facilities to serve 8,000 FTES, expand opportunities for more students to connect to campus life, and better attract students from outside the region, state, and country.

The four major elements of the proposed master plan revision are connectivity, infrastructure, academic and support facilities, and student housing, further described below:

Connectivity: The proposed master plan is designed to transform the Palm Desert Off-Campus Center from a suburban, commuter campus into a compact and walkable urban campus with engaging outdoor environments that are human-scaled, shaded, and protected from seasonal winds.

Infrastructure: The proposed master plan provides for campus infrastructure that will maximize the campus' sustainability features and physical assets. It recommends policies and practices to guide the sustainable development that sets targets and metrics to measure the university's commitment to stewardship of its natural resources on the basis of water conservation, energy independence, and community resiliency such as photovoltaic systems, high-performance building envelopes, bio-swales to manage stormwater run-off, and a drought tolerant landscape plant palette.

Facilities: 990,000 square feet of new academic, administrative, and student support space through the construction of 18 new facilities; the expansion of Mary Stuart Rogers Gateway Building (#2²) and Indian Wells Theater (#2C); three new parking structures; and new physical education/athletic fields and facilities for sports activities.

Housing: 616 new beds for student housing; on-campus student housing directly supports academic excellence and a vibrant campus environment.

Proposed Master Plan Revisions

Proposed changes to the long range Master Plan are shown on Attachment A and are listed below:

- Hexagon 1:* Administration Building (#18)
- Hexagon 2:* Laboratory Building (#12)
- Hexagon 3:* College of Extended Learning Building (#8)
- Hexagon 4:* Library and Media Center (#3)
- Hexagon 5:* Theater Building Expansion (#2E)
- Hexagon 6:* Student Union Building (#7)
- Hexagon 7:* Classroom Expansion (#2D)

² The facility number is shown on the master plan map and recorded in the Space and Facilities Database.

- Hexagon 8:* Residential Hall I-IV (#6, 11, 17, and 22)
- Hexagon 9:* Plant Building (#16), Facilities I and II Maintenance Buildings (#5 and 15)
- Hexagon 10:* Police and Transportation Office (#1)
- Hexagon 11:* North Parking Structure (#103)
- Hexagon 12:* Community Athletic Building (#26)
- Hexagon 13:* Physical Education/Athletic Fields (#27), Physical Education Center (#9)
- Hexagon 14:* Student Amenity (Café) (#24), Recreation Center (#25)
- Hexagon 15:* Classroom Building (#20 and 23), Studio Building (#21)
- Hexagon 16:* Academic Buildings (#10, 13, 14, and 19)
- Hexagon 17:* South Parking Structure (#101), West Parking Structure (#102)
- Hexagon 18:* Childcare Center (#4)

The campus facilities and improvements pursuant to the proposed Campus Master Plan will be developed incrementally over the next 20 years. A brief description of facilities envisioned to be developed include:

Library and Media Center (#3): The 71,000 square-foot Center will include study areas, information resources, educational spaces, food service, and office space.

Theater Building Expansion (#2E): The existing theater building will be expanded to provide approximately 1,300 square feet of additional space.

Classroom Expansion (#2D): A 37,000-square-foot addition to Mary Stuart Rogers Gateway Building to support the emerging hospitality program.

Childcare Center (#4): A 10,500 square-foot daycare/childcare and instruction facility proposed to be shared with the community.

Police and Transportation Office (#1): A 20,000 square-foot Police and Transportation Office will provide a facility for operations.

Facilities I Maintenance Building (#5): A 18,000 square-foot building located in the North Campus/Facilities Maintenance zone.

Residential Hall I (#6): The first phase of student housing is planned for up to 400 beds and is intended to foster a collaborative learning and living environment.

Fiscal Impact

An estimated \$1.2 billion of future funding for new and expanded facilities will be required to address existing building deficiencies and provide needed site and facility improvements as proposed in the Campus Master Plan 2018.

An additional \$5,000 will be required to fund the CSU's fair share of future off-site mitigation as discussed above.

California Environmental Quality Act (CEQA) Action

A Final Environmental Impact Report (FEIR) has been prepared to analyze the potential significant environmental effects of the proposed Campus Master Plan 2018 in accordance with CEQA requirements and State CEQA Guidelines. The FEIR is presented to the Board of Trustees for review and certification. The Draft EIR was distributed for comment for a 45-day period concluding on November 27, 2017. The final documents are available online at: <https://www.csusb.edu/master-plan/palm-desert-campus>.

The FEIR is a "Program EIR" with near term projects under CEQA Guidelines, Sections 15161 and 15168. The Program EIR is an EIR prepared on a series of actions that can be characterized as one large project and consists of a series of actions and improvements associated with the Campus Master Plan which will be implemented over time to the planning horizon year 2035. The Program EIR allows such actions and improvements to be approved, provided that the effects of such projects were examined in the Program EIR, and no new effect could occur or no new mitigation measure would be required upon implementation of the subsequent action or improvements. At the time each facility improvement or other action pursuant to the Campus Master Plan is carried forward, each individual action or improvement will be reviewed to determine whether the Program EIR fully addresses the potential impacts and identified appropriate mitigation measures.

Issue areas are fully discussed and impacts have been analyzed to the extent possible. Where a potentially significant impact is identified, mitigation measures have been proposed to reduce the impact.

As noted however, the FEIR concluded that the project would result in significant and unavoidable impacts relating to traffic, air quality, and noise. Under such circumstances, CEQA requires the decision-making agency to balance, as applicable, the economic, legal, social, technological, or other benefits of the project against its unavoidable environmental risks when determining whether to approve a project. If the specific benefits of the project outweigh the unavoidable adverse environmental effects, those effects may be considered "acceptable" and the agency is then

required to adopt a Statement of Overriding Considerations in order to approve the project. Accordingly, because the FEIR has determined that the project would result in significant and unavoidable effects, a Statement of Overriding Considerations is required to address these significant and unavoidable impacts.

Issues Identified Through Public Review of the Draft EIR

Comment letters were received from the Agua Caliente Band of Cahuilla Indians (ACBCI), South Coast Air Quality Management District, and California Department of Transportation (Caltrans). A summary of the response to the comments which are included in the FEIR documentation is provided below.

1. Agua Caliente Band of Cahuilla Indians (ACBCI): provided a comment letter stating appreciation for the university's efforts to include the Tribal Historic Preservation Office in the Palm Desert Campus Master Plan with no further comments at this time. ACBCI requested that the university provide updates as the master plan progresses and to inform them if there are changes to its scope.

CSU Response: The comment letter was acknowledged and the university will provide ACBCI with information of any changes to the scope of the master plan.

2. South Coast Air Quality Management District: provided a comment letter recommending additional mitigation measures to reduce long-term operation emissions, additional scenarios for analysis, and details about compliance with regulations related to fugitive dust control.

CSU Response: The recommended mitigation measures, to be implemented to the extent feasible, have been incorporated into the FEIR. The information about other scenarios and fugitive dust control has been included in the Response to Comments section of the FEIR.

3. California Department of Transportation (Caltrans): provided a comment letter concurring with Draft EIR conclusions and the identified mitigation measures.

CSU Response: No response necessary.

Project Alternatives

The alternatives considered to the project include the following:

Alternative 1: "No Project" – Continuation of Current Master Plan Alternative

This alternative would continue to implement the current Campus Master Plan adopted in 2000 with an enrollment ceiling of 2,500 FTES. This alternative would not include the provision of academic and support facilities to accommodate additional enrollment. Although this would result in less vehicular trips than under the proposed Campus Master Plan revision, it would not address the higher educational needs of the region and the state.

Alternative 2: Smaller Facility Development

This alternative would provide fewer facilities and improvements on campus and limit enrollment growth to below that assumed in the proposed Campus Master Plan revision, resulting in an enrollment ceiling of 3,600 FTES. Although this would result in less vehicular trips than under the proposed Campus Master Plan and reduce the impact upon air quality, it would not be consistent with the mission of the CSU to address the higher educational needs of the region and the state.

Alternative 3: Additional Student Housing on Campus

This alternative would include a Campus Master Plan with an enrollment ceiling of 8,000 FTES, similar to the proposed Campus Master Plan revision. However, this alternative would triple the number of student beds than that provided by the proposed Campus Master Plan, which would reduce vehicular commuter trips. Nevertheless, this alternative would not result in avoiding significant traffic noise impacts and would not reduce air quality impacts to a less than significant level. Furthermore, the tripling of new student housing facilities would cause an increase in the magnitude of construction air quality impacts.

Among the alternatives considered, none is considered clearly environmentally superior to the proposed project.

Recommendation

The following resolution is presented for approval:

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

1. The Final Environmental Impact Report (FEIR) for the California State University, San Bernardino Palm Desert Off-Campus Center Campus Master Plan 2018 has addressed any potentially significant environmental impacts, mitigation measures, and project alternatives, comments, and responses to comments associated with approval of the proposed campus master plan revision pursuant to the requirements of the California Environmental Quality Act and State CEQA Guidelines.
2. The FEIR addresses the proposed campus master plan revision and all discretionary actions related to the project as identified in the FEIR.
3. Prior to the certification of the Final EIR, the Board of Trustees reviewed and considered the above-mentioned Final EIR, and finds that the Final EIR reflects the independent judgment of the Board of Trustees. The board hereby certifies the Final EIR for the project as complete and adequate in that the Final EIR addresses all potentially significant environmental impacts of the project and fully complies with the requirements of CEQA and the CEQA Guidelines.

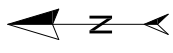
For the purpose of CEQA and the CEQA Guidelines, the administrative record of proceedings for the project includes the following:

- a. The 2017 Draft EIR for the California State University, San Bernardino Palm Desert Off-Campus Center Campus Master Plan;
 - b. The Final EIR, including comments received on the Draft EIR, and responses to comments;
 - c. The proceedings before the Board of Trustees relating to the subject master plan revision, including testimony and documentary evidence introduced at such proceedings; and
 - d. All attachments, documents incorporated, and references made in the documents as specified in items (a) through (c) above.
4. The Board of Trustees hereby certifies the Final EIR for the California State University, San Bernardino Palm Desert Off-Campus Center Campus Master Plan dated January 2018 as complete and in compliance with CEQA.
 5. This resolution is adopted pursuant to the requirements of Section 21081 of Public Resources Code and Section 15091 of the State CEQA Guidelines which require that the Board of Trustees make findings prior to the approval of a project.
 6. The board hereby adopts the Findings of Fact and Mitigation Monitoring and Reporting Program, including all mitigation measures identified therein, for Agenda Item 5 of the January 29-31, 2018 meeting of the Board of Trustees' Committee on Campus Planning, Buildings and Grounds, which identifies the specific impacts of the proposed campus master plan and related mitigation measures, which are hereby incorporated by reference. The mitigation measures identified in the Mitigation and Monitoring Reporting Program shall be monitored and reported which meets the requirements of CEQA.
 7. The board hereby adopts the Findings of Fact and Statement of Overriding Considerations that outweigh certain remaining significant and unavoidable impacts to traffic, air quality, and noise.
 8. The Final EIR has identified potentially significant impacts that may result from implementation of the proposed campus master plan revision. However, the Board of Trustees, by adopting the Findings of Fact, finds that the inclusion of certain mitigation measures as part of the project approval will reduce most, but not all, of those effects to less than significant levels. Those impacts which are not reduced to less than significant levels are identified as significant and unavoidable and are overridden due to specific project benefits to the CSU identified in the Findings of Fact and Statement of Overriding Considerations.

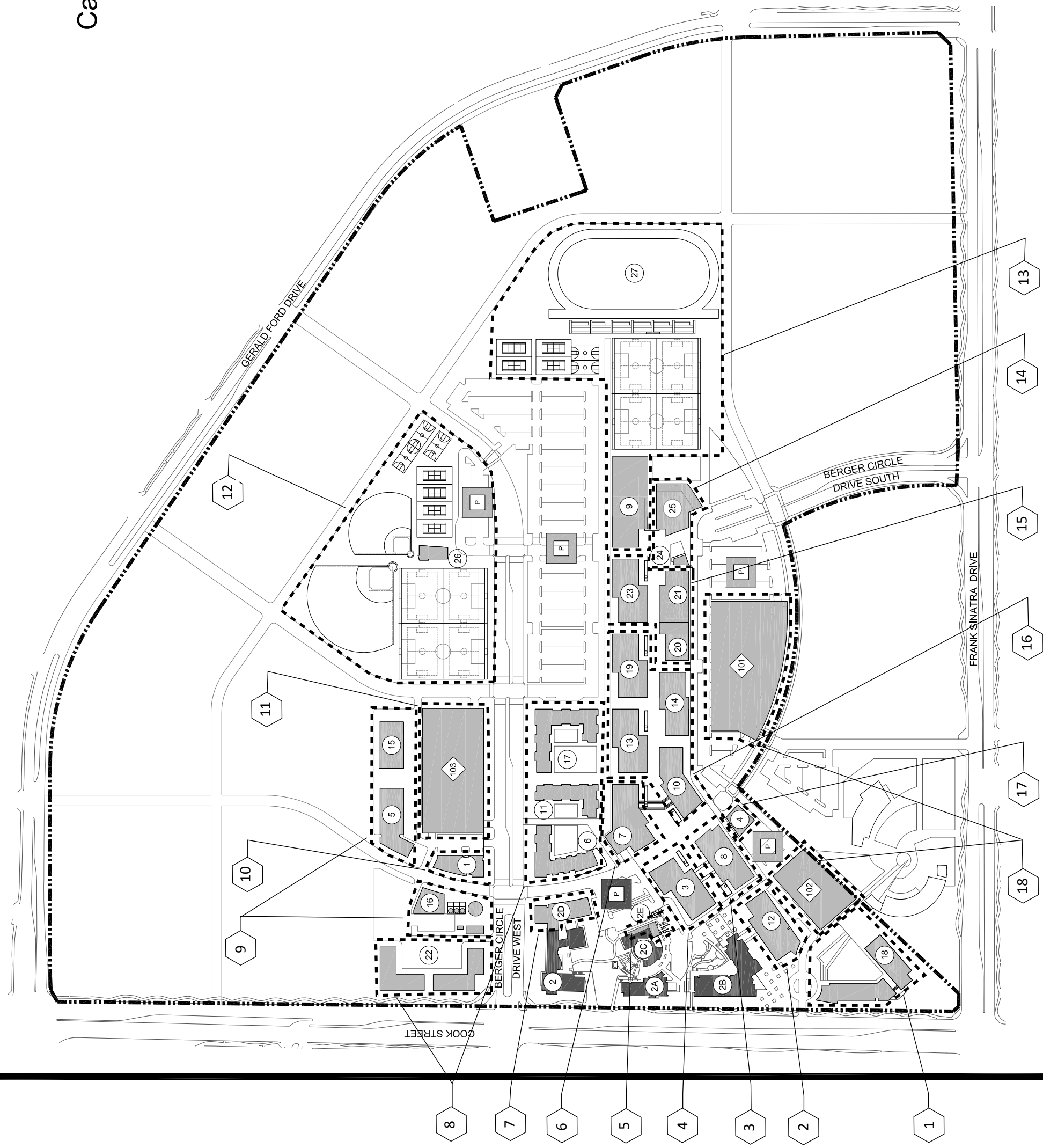
9. The board approves the use of approximately \$5,000 for its fair share of off-site mitigation. The funds are expected to be budgeted in future capital or operating budget funding from the state, self-support entities, private developers, the CSU, and/or other entities to support the academic program.
10. The California State University, San Bernardino Palm Desert Off-Campus Center Campus Master Plan dated January 2018 benefits the California State University.
11. The California State University, San Bernardino Campus Master Plan Revision dated January 2018 at a master plan enrollment ceiling of 8,000 FTES is approved.
12. The chancellor or his designee is requested under Delegation of Authority granted by the Board of Trustees to file the Notice of Determination for the Final Environmental Impact Report for the California State University, San Bernardino Palm Desert Off-Campus Center Campus Master Plan 2018.

California State University, San Bernardino Palm Desert Off-Campus Center

Campus Master Plan
 Master Plan Enrollment: 8,000 FTE
 Approval Date: May 2000
 Proposed Date: January 2018
 Main Campus Acreage: 168



Buildings	Campus Boundary	Parking
EXISTING BUILDING	----- EXISTING	EXISTING LOT
FUTURE BUILDING	----- FUTURE	FUTURE LOT
TEMPORARY BUILDING		EXISTING STRUCTURE
EXISTING BUILDING NOT IN USE		FUTURE STRUCTURE



California State University, San Bernardino
Palm Desert Off-Campus Center

Proposed Master Plan Revision: January 2018

Proposed Master Plan Enrollment: 8,000 FTE

Master Plan Enrollment: 2,500 FTE

Master Plan approved by the Board of Trustees: May 2000

1. *Police and Transportation Office*
2. *Mary Stuart Rogers Gateway Building*
- 2A. *Indian Wells Center for Educational Excellence*
- 2B. *Health Sciences Facility*
- 2C. *Indian Wells Theater*
- 2D. *Classroom Expansion*
- 2E. *Theater Building Expansion*
3. *Library and Media Center*
4. *Childcare Center*
5. *Facilities I Maintenance Building*
6. *Residential Hall I*
7. *Student Union Building*
8. *College of Extended Learning Building*
9. *Physical Education Center*
10. *Academic Building*
11. *Residential Hall II*
12. *Western Signature Laboratory Building*
13. *Academic Building*
14. *Academic Building*
15. *Facilities II Maintenance Building*
16. *Plant Building*
17. *Residential Hall III*
18. *Administration Building*
19. *Academic Building*
20. *Classroom Building*
21. *Studio Building*
22. *Residential Hall IV*
23. *Classroom Building*
24. *Student Amenity (Café)*
25. *Recreation Center*
26. *Community Athletic Building*
27. *Physical Education/Athletic Fields*
101. *South Parking Structure*
102. *West Parking Structure*

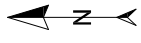
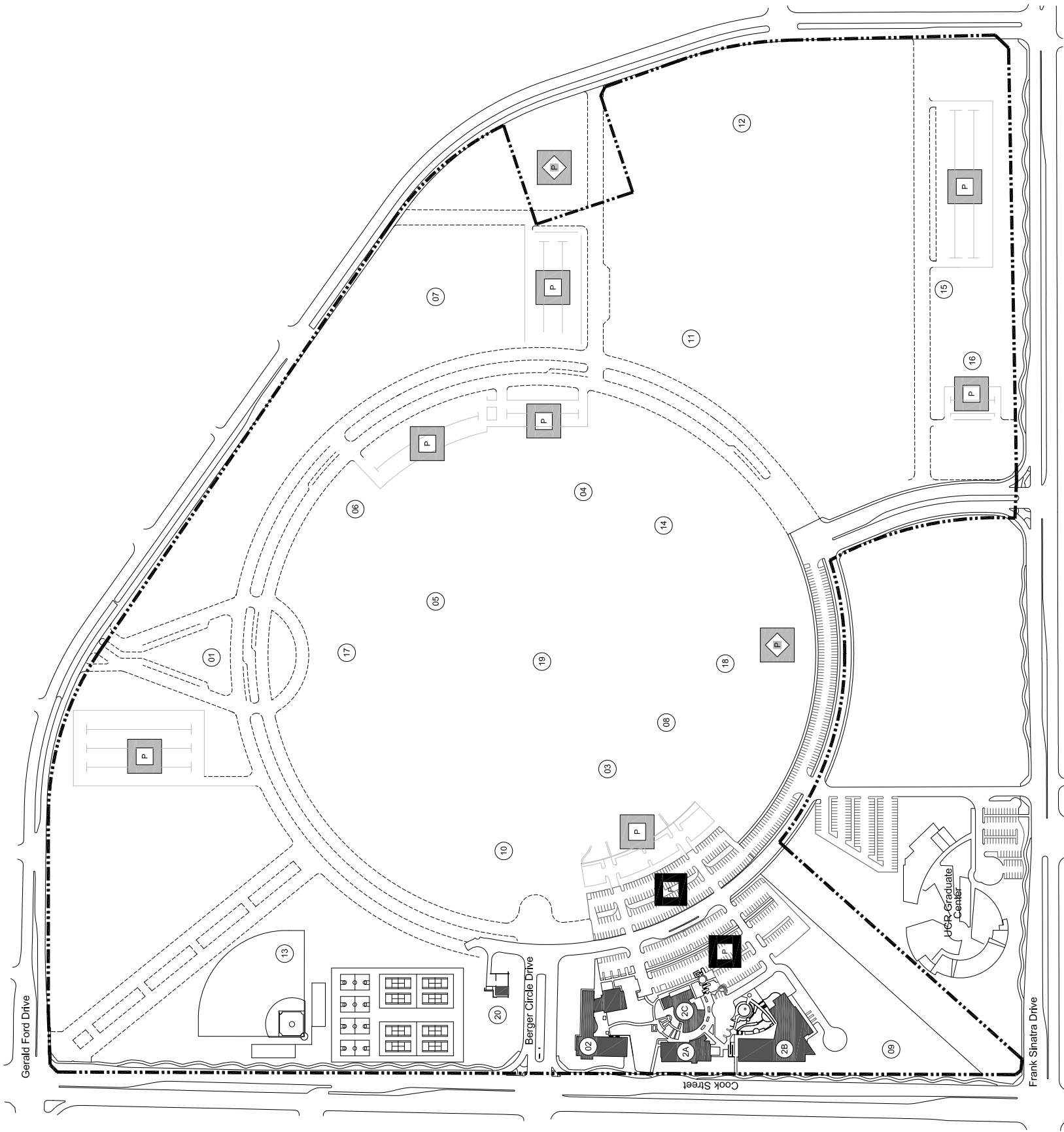
LEGEND:

Existing Facility / *Proposed Facility*

NOTE: Existing building numbers correspond with building numbers in the Space and Facilities Data Base (SFDB)

California State University, San Bernardino Palm Desert Off-Campus Center

Campus Master Plan
 Master Plan Enrollment: 2,500 FTE
 Approval Date: May 2000
 Off-Campus Center Acreage: 168



Buildings	Campus Boundary	Parking
<ul style="list-style-type: none"> EXISTING BUILDING FUTURE BUILDING TEMPORARY BUILDING EXISTING BUILDING NOT IN USE 	<ul style="list-style-type: none"> EXISTING FUTURE 	<ul style="list-style-type: none"> EXISTING LOT FUTURE LOT EXISTING STRUCTURE FUTURE STRUCTURE

California State University, San Bernardino
Palm Desert Off-Campus Center

Master Plan Enrollment: 2,500 FTE
Master Plan approved by the Board of Trustees: May 2000

1. *Information and Public Safety*
2. *Mary Stuart Rogers Gateway Building*
- 2A. *Indian Wells Center for Educational Excellence*
- 2B. *Health Sciences Facility*
- 2C. *Indian Wells Theater*
3. *College of Education*
4. *College of Social and Behavioral Sciences*
5. *College of Natural Sciences*
6. *College of Engineering*
7. *College of Business*
8. *College of Humanities*
9. *Extended Education*
10. *Rancho Mirage Student Center*
11. *Arena and Aquatic Center*
12. *Track and Field*
13. *Baseball Diamond*
14. *Housing*
15. *Physical Plant*
16. *President's Residence*
17. *Administration*
18. *Resource Center*
19. *Clock Tower*
20. *Utility Substation*

LEGEND:

Existing Facility / *Proposed Facility*

NOTE: Existing building numbers
correspond with building numbers in the
Space and Facilities Data Base (SFDB)

AGENDA

JOINT COMMITTEES ON FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS

Meeting: 9:15 a.m., Wednesday, January 31, 2018
Glenn S. Dumke Auditorium

Committee on Finance

Peter J. Taylor, Chair
John Nilon, Vice Chair
Jane W. Carney
Adam Day
Hugo N. Morales
Jorge Reyes Salinas
Lateefah Simon

Committee on Campus Planning, Buildings and Grounds

John Nilon, Chair
Jane W. Carney, Vice Chair
Adam Day
Thelma Meléndez de Santa Ana
Romey Sabalius
Peter J. Taylor

- Consent**
1. Approval of Minutes of the Meeting of November 15, 2016, *Action*
 2. Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments and Approval of Related Actions for the Extended Learning Building and Parking Structure Project at California State University San Marcos, *Action*
- Discussion**
3. Summary of California State University Public-Private Partnerships, *Information*

**MINUTES OF THE JOINT MEETING OF THE
COMMITTEES ON FINANCE AND
CAMPUS PLANNING, BUILDINGS AND GROUNDS**

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

November 15, 2016

Committee on Finance

Peter Taylor, Chair
Debra S. Farar, Vice Chair
Jane W. Carney
Adam Day
Jean P. Firstenberg
Hugo N. Morales
Lateefah Simon
Rebecca Eisen, Chair of the Board
Timothy P. White, Chancellor

**Committee on Campus Planning,
Buildings and Grounds**

Steven G. Stepanek, Chair
Jane W. Carney
Adam Day
Thelma Meléndez de Santa Ana
J. Lawrence Norton
Peter J. Taylor

Trustee Steven G. Stepanek called the meeting to order.

Public Comment

Mr. Hector Fernandez, representative of the SETC United spoke about the importance of SETC employee services to maintain campus facilities. He advocated for the creation of a state-of-the-art preventative maintenance program that will allow campuses to better plan maintenance across the entire lifespan of assets.

Approval of Minutes

The minutes of September 20, 2016 were approved as submitted.

Approval of the 2017-2018 Capital Outlay Program, 2017-2018 through 2021-2022 Five-Year Facilities Renewal and Improvement Plan, and Multi-Year Bond Authorization

The 2017-2018 Capital Outlay Program, five-year facilities renewal and improvement plan, and the multi-year financing plan were presented.

The 2017-2018 Capital Outlay Program request of \$1.98 billion is made up of academic, self-support, and other donor and energy projects. Categories and criteria used to prioritize the projects were shared.

New to the five-year renewal and improvement plan is the inclusion of campus co-funding of capital projects, which reflects stewardship of all campus facilities. The multi-year financing plan approach will provide greater flexibility and increase funding certainty for campuses. Projections of future capital program debt service reflecting the impact of the State Public Works Board debt restructuring under the CSU Systemwide Revenue Bond Program and the proposed new financing plan were reviewed.

President Willie Hagan commented about the impact of having adequate instructional facilities on campuses and the importance of approving the proposed plan for capital program development.

Following the presentation the trustees asked questions relating to the inclusion of self-support project budgets in reserves for facilities maintenance and solar energy costs.

The committee recommended approval of resolution (RFIN/CPBG 11-16-02).

Trustee Steven G. Stepanek adjourned the meeting.

**JOINT COMMITTEES ON
FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS**

Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments and Approval of Related Actions for the Extended Learning Building and Parking Structure Project at California State University San Marcos

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

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

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design, and Construction

Summary

This agenda item requests the following actions by the California State University Board of Trustees with regard to the Extended Learning Building and Parking Structure project at California State University, San Marcos:

- Approval of the Final Development Agreement.
- Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for the project.
- Amendment of the 2017-2018 Capital Outlay Program for the Real Property Acquisition
- Approval of the Schematic Design for the project.

Background

In March 2017, the trustees approved a conceptual plan authorizing the campus to pursue a public-private partnership to construct a new Extended Learning and Student Services Building on privately owned land adjacent to the CSU San Marcos campus. The owner of the land, “University Village San Marcos” or “UVSM” (acting through its wholly owned subsidiary, North City University One, LLC.) will also act as the development partner on the project. The project name has now been changed to the Extended Learning Building and Parking Structure project.

The original terms of the proposal presented to the trustees for the March 2017 concept approval called for the project to be financed and constructed by a special purpose entity, and upon completion of the project, the California State University San Marcos Corporation (the "Corporation")¹ would lease the academic space from the special purpose entity for a term of thirty years. Based upon this structure, the financing would be indirectly based upon CSU credit strength, but would not be a direct obligation of the CSU nor would the debt be guaranteed by the CSU. Following the March 2017 board approval, staff discovered, through further discussions with the UVSM finance team, that the financing was in fact predicated on a requirement that the CSU guarantee the lease payments and that the financing would be marketed as a CSU obligation. Without this guarantee, the bonds issued by the special purpose entity would be less than investment-grade rating, thus jeopardizing the viability of the project.

Current Structure and Financing

In order to continue forward with the project and control the credit risk and cost of financing associated with the project, the proposed structure now calls for the CSU to issue Systemwide Revenue Bonds (SRB) or related debt instruments to finance the project. Under this change in financial structure, the project will be delivered under a build-to-suit, shared ownership model where UVSM will construct the building with SRB funds following final board approval and convey an 89 percent interest in the building and a 71% interest in the parking structure to the Corporation pursuant to a grant deed upon completion of the project construction. This shared ownership of the project, or condominium structure, is consistent with the original concept approval. Also consistent with the original concept approval, the Corporation will receive payments from the campus extended learning and parking programs via a facility lease, which the Corporation will in turn apply toward meeting the debt service payments on the SRB debt. In effect, the SRB debt will be an obligation of the extended learning and parking programs of the campus.

The proposed Systemwide Revenue Bonds or related debt instruments will be issued at a not-to-exceed par amount of \$63,950,000, consisting of \$57,145,000 in tax-exempt debt and \$6,805,000 in taxable debt. The not-to-exceed amount is based on a total project budget of \$81,468,000 with contributions of \$5,000,000 from the campus extended learning program, \$6,000,000 from the campus parking program, and \$6,925,000 from UVSM. A portion of the bonds will also fund approximately \$407,000 in additional net financing costs. The bonds will be secured by a general obligation pledge of the Corporation's unrestricted revenues, including project revenues derived from lease payments by the campus' extended learning and parking programs.

¹ The March 2017 concept approval noted that University Auxiliary Research and Services Corporation or UARSC would be the campus auxiliary through which the project would be structured. In July 2017, UARSC merged with another campus auxiliary and the successor auxiliary is now named California State University San Marcos Corporation.

The following table summarizes key information about this financing transaction.

Not-to-exceed amount	\$63,950,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	\$4,250,202
Projected minimum net revenue debt service coverage ² :	
Extended Learning Program:	1.34
Parking Program	1.53
The Corporation:	2.68
Campus aggregate:	1.56

The not-to-exceed amount, maximum annual debt service, and ratios shown above are based on an all-in interest cost of 5.25 percent, inclusive of a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. Based on the financial plan, in FY 2019-20, the first full year of debt service repayment for the project, the minimum debt service coverage is projected at 1.34 for the extended learning program and 1.53 for the parking program. These coverages exceed the CSU benchmark of 1.10 for enterprise programs. The debt service coverage ratio is projected to be 2.68 for the Corporation, compared with the CSU benchmark of 1.25 for both the project and the auxiliary debt program. When combining the project with forecasted information for all campus pledged revenue programs, the campus' overall net revenue debt service coverage for the first full year of operations is projected to be 1.56, exceeding the CSU campus benchmark of 1.35.

Final Development Agreement and Summary of Key Deal Terms

Construction Funding. The \$81,468,000 total project cost will be funded primarily through the issuance of CSU Systemwide Revenue Bonds at a not-to-exceed par amount of \$63,950,000, cash contribution of \$5,000,000 from the campus Extended Learning Program and \$6,000,000 from the Parking Program to cover design costs and developer fees.

Parking Funding. A total of 709 parking stalls will be constructed, of which 563 will be funded by the Corporation and 146 by UVSM.

Developer Land Contribution. UVSM will contribute the land to the project free and clear of all monetary liens. Such contribution will be at no cost to the campus. The appraised value of the land as contributed is \$3.7 million.

Building Construction. UVSM will construct the building with no builder profit other than a customary development management fee. Construction is to begin March 2018 and expected to be completed by August 2019. California prevailing wage requirements shall apply to the development.

² Based on campus projections of 2019-2020 operations of the project with full debt service.

Project Acquisition. Following final board approval, the Corporation will enter into a purchase-sale agreement with UVSM to purchase the project.

Project Ownership: The Corporation will own an 89 percent proportional share of the building and UVSM will own the remaining 11 percent. The Corporation will own 71 percent of the parking structure and UVSM will own the remaining 29 percent. The Corporation's ownership share will include the extended learning space (120,000 SF), 503 parking stalls, and a proportional 89 percent share of the land and common areas of the building parcel. UVSM will own the retail space (14,600 SF), 206 parking stalls, and a proportional 11 percent share of the land and common areas of the building parcel.

Developer Fee. The Corporation shall pay UVSM a \$3,250,000 (4 percent) fee for developer's construction management services.

Operating Expenses. The Corporation will be responsible for operating expenses associated with its 120,000 SF of the building. UVSM will be responsible for operating expenses associated with its 14,600 SF of the building. The Corporation and UVSM will share on a pro-rata basis the operating expenses associated with the common area space. Operating expenses for the parking structure will be based upon pro-rata usage.

Major Building Systems. The Corporation will be responsible for maintaining the major building systems and will pay into a Replacement Reserve to fund major capital replacements for the Corporation's proportional share. UVSM will be responsible for funding its pro-rata share of the major building systems including its share of Replacement Reserve, which will be paid to the Corporation.

Right of First Offer.

Educational Benefits

With this project, the campus has an opportunity to partner with the private sector to provide instructional classrooms and laboratories, thereby providing relief for bottleneck courses and enhancing student pathways to graduation. Four academic programs with faculty offices will be located in the new facility, along with space for the growing Extended Learning programs, Global Education, the American Language and Culture institute, and other support service departments. The Corporation, the campus sponsored programs' auxiliary, will relocate providing closer access to support faculty research. Importantly, the secondary effects of vacated space on the campus will create additional capacity for various uses, including the emerging engineering program, additional classroom space, and faculty offices. Student success centers will be brought together in one location: the Academic Success Center, STEM Center, Math Lab, Language Learning Center, and Writing Center, along with the faculty and staff that support them.

Amend the 2017-2018 Capital Outlay Program

CSU San Marcos wishes to amend the 2017-2018 Capital Outlay Program for the acquisition, design, and construction of the Extended Learning Building (#902³), Parking Structure (#903), and Pedestrian Bridge (#904) project. The proposed site for the project is a two-acre privately-owned parcel located north of Barham Drive and west of Campus Way.

The site for the proposed Extended Learning Building project is part of a larger development named the University District Specific Plan within the City of San Marcos that will provide mixed-use residential and commercial buildings. The site is currently identified to house a mixed-use building with retail on the ground floor and office, administration, and educational uses on the upper floors. The development agreement will include the transfer of the campus' share of the land, to be conveyed to the Corporation upon construction completion, preserving existing open space on campus for future academic growth.

Extended Learning Building and Parking Structure Schematic Design

Developer: University Villages San Marcos (UVSM)

Special Purpose Entity/Wholly Owned Subsidiary of UVSM: North City University One, LLC

Project Architect: Safdie Rabines Architects

Design/Build Contractor: Turner Construction

Background and Scope

The new six-story building (134,584 gross square feet (GSF)) will provide 14,600 GSF retail space operated by the developer, with the remaining 120,000 GSF for CSU San Marcos to house Extended Learning operations, including Global Education and American Language and Culture Institute. The project will include classrooms, laboratories, and administrative offices as well as student academic support centers. The 226,000 GSF parking structure will provide 709 parking spaces, of which 503 will be for university use, and the remaining 206 spaces will serve the retail and adjacent developments. A pedestrian bridge, afforded by the developer, will connect the building and parking structure to the main campus.

The Extended Learning program currently occupies two temporary Foundation Classroom Buildings (#55, 56), which will be vacated upon completion of this project and repurposed to accommodate lecture, teaching lab, and faculty office space for engineering.

The new Extended Learning Building is made up of concrete columns, shear walls, and nine-inch post tensioned flat slabs supported on spread foundations. The skin of the building is comprised of stucco exposed concrete slab edges, aluminum storefront, and curtain-wall systems with insulated glazing. A concrete pedestrian bridge will connect the Extended Learning Building with the campus to the south, while a steel-framed bridge with concrete topping will connect the building to the parking structure to the west.

³ The facility number is shown on the master plan map and recorded in the Space and Facilities Database.

The parking structure will be constructed using post-tensioned slabs and conventionally reinforced concrete slabs supported by concrete columns, held on conventional shallow foundations. The lateral framing system utilizes specially reinforced concrete shear wall cores, also supported on conventional shallow foundations.

Exterior building materials are consistent with the campus architectural vocabulary. The durability and sustainability of the building materials has been considered, with integral color and factory finished materials favored for the purposes of color fastness and minimization of long-term maintenance. Interior building materials are specified to be durable and low maintenance. Flooring finishes include sealed concrete flooring, porcelain tile, vinyl tile, and carpet tile. Wall surfaces will be soil and scuff resistant with a painted drywall finish. Interior millwork will be finished with durable laminates, chemical resistant solid surfacing countertops, and other quality materials consistent with similar higher education facilities.

The building will include sustainable features such as water-efficient landscaping, low-flow plumbing fixtures, LED lighting, a cool roof containing a high solar reflective color, and other energy-efficient materials and systems. The parking structure will include infrastructure for the future installation of solar photovoltaic panels and electric car charging stations.

Timing (Estimated)

Preliminary Plans Completed	February 2018
Working Drawings Completed	March 2018
Construction Start	March 2018
Occupancy	August 2019

Basic Statistics

Gross Building Area	134,584 square feet
Assignable Building Area	106,646 square feet
Efficiency	79 percent
Gross Parking Structure Area	217,320 square feet
Assignable Parking Structure Area	225,592 square feet
Efficiency	96 percent

Cost Estimate – California Construction Cost Index (CCCI) 6255⁴

Building Cost (\$345 per GSF)	\$46,470,000
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⁴ The July 2017 *Engineering News-Record* California Construction Cost Index (CCCI). The CCCI is the average Building Cost Index for Los Angeles and San Francisco.

<i>Systems Breakdown</i>	<i>(\$ per GSF)</i>	
a. Substructure (Foundation)	\$ 10.32	
b. Shell (Structure and Enclosure)	\$ 104.37	
c. Interiors (Partitions and Finishes)	\$ 63.95	
d. Services (HVAC, Plumbing, Electrical, Fire)	\$ 101.42	
e. Built-in Equipment and Furnishings	\$ 2.45	
f. Special Construction and Demolition	\$ 0.00	
g. General Requirements	\$ 10.54	
h. General Conditions and Insurance	\$ 52.23	
Parking Structure Cost (\$61 per GSF - \$19,344 per space)		\$13,715,000

<i>Systems Breakdown</i>	<i>(\$ per GSF)</i>	
a. Substructure (Foundation)	\$ 11.09	
b. Shell (Structure and Enclosure)	\$ 30.15	
c. Interiors (Partitions and Finishes)	\$ 1.72	
d. Services (HVAC, Plumbing, Electrical, Fire)	\$ 7.78	
e. Built-in Equipment and Furnishings	\$ 0.28	
f. Special Construction and Demolition	\$ 0.00	
g. General Requirements	\$ 0.58	
h. General Conditions and Insurance	\$ 9.20	

Pedestrian Bridge		3,035,000
Site Development		<u>3,442,000</u>
Construction Cost		\$66,662,000
Fees, Contingency and Services		<u>12,806,000</u>
Total Project Cost (\$221 per GSF)		\$79,468,000
Fixtures, Furniture, & Moveable Equipment		<u>2,000,000</u>
Grand Total		<u>\$81,468,000</u>

Cost Comparison

Building Cost

This project's building cost of \$345 per GSF is lower than the CSU Construction Cost Guidelines for Classroom and Administration buildings of \$407 per GSF including Group I equipment, as well as the \$541 per GSF for the CSU Monterey Bay Academic III Building, the \$527 per GSF for the Continuing and Professional Education Classroom Building at CSU Long Beach, both approved in November 2016, and the \$371 per GSF of the Extended Learning Center at CSU Northridge approved in September 2013, all adjusted to CCCI 6255.

Some factors that led to a lower building cost include regional cost factors, a non-public works contract process, less costly shell (exterior skin), and mechanical/electrical/plumbing services.

Parking Structure

The parking structure cost of \$19,344 per space is higher than the \$18,243 per space for Parking Structure V, Phase I at California State University, Sacramento, approved in November 2016, and the \$18,452 per space for Parking Structure I, Phase 2A for California State University San Marcos, approved in July 2008, both adjusted to CCCCI 6255.

The cost per stall on this parking structure is higher due to additional visual screening requirements by the City of San Marcos, applicable to all parking structures within the University District Specific Plan area.

California Environmental Quality Act (CEQA) Action

Since the development site is not currently owned by the California State University, the City of San Marcos is responsible for the approval of entitlements for the CSU San Marcos Extended Learning Building and Parking Structure project. The site is within the City of San Marcos University District Specific Plan (specific plan) area. A Final Environmental Impact Report (FEIR) for the University District Specific Plan was certified by the City of San Marcos City Council in October 2009 and a subsequent addendum to the FEIR was adopted in 2014 to address modifications to the specific plan.

In support of the CSU San Marcos Extended Learning Building and Parking Structure project, an addendum to the University District Specific Plan FEIR and a traffic study were prepared for the City of San Marcos. The traffic study identified required traffic measures, which will be the responsibility of Urban Villages San Marcos, LLC (UVSM) and will be incorporated into the agreement between UVSM and CSU San Marcos. On October 16, 2017, the City of San Marcos Planning Commission approved a conditional use permit for the CSU San Marcos Extended Learning Building and Parking Structure project which relied upon a CEQA determination that the project is within the scope of the Specific Plan EIR.

Recommendation

The following resolutions are presented for approval:

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

1. The financing resolutions for the project as described in this Agenda Item 2 of the Joint Committees on Finance and Campus Planning, Buildings and Grounds at the January 29-31, 2018, meeting of the CSU Board of Trustees are approved. Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the projects described in this agenda. The proposed resolutions will be distributed at the meeting and will achieve the following:

- a. 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 Bond Anticipation Notes, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not-to-exceed \$63,950,000 and certain actions relating thereto.
 - b. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Financial Services; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the revenue bonds, bond anticipation notes, or related debt instruments.
2. Provide a delegation to the chancellor to approve the final execution of the purchase and sale agreement for the construction of academic facilities on privately owned land adjacent to the CSU San Marcos campus.
3. The board hereby acknowledges the City of San Marcos Final Environmental Impact Report for the Extended Learning Building and Parking Structure project dated October 13, 2009, and the subsequent Addendum to the Final Environmental Impact Report adopted in October 2017 as complete and in compliance with CEQA.
4. The 2017-2018 Capital Outlay Program is amended to include \$81,468,000 for preliminary plans, working drawings, construction, and equipment for the California State University San Marcos Extended Learning Building and Parking Structure project.
5. The schematic plans for the California State University San Marcos Extended Learning Building and Parking Structure project are approved at a project cost of \$81,468,000 at CCCI 6255.

**COMMITTEES ON
FINANCE AND CAMPUS PLANNING, BUILDINGS, AND GROUNDS**

Summary of California State University Public-Private Partnerships

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

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

Summary

This item provides a summary of public-private partnerships at the California State University. While public-private partnerships can be defined broadly, the focus of this item is to present a summary of public-private partnerships that meet capital development and financing needs of CSU campuses. The summary also includes several public-public partnerships.

Background

Public-private and public-public partnerships can be structured in a number of ways, but the typical structure calls for a campus or auxiliary to lease a portion of its land to a third party development partner over a long period of time, who then develops a capital project on the land, assuming development, financing, construction, and operating risk on the project. The benefits to the campus can include a project that meets its particular educational needs, the monetization of land value to create a stream of revenue that can be used to meet campus educational needs, and the transfer of some amount of project development, financing, construction, and operating risk to the third party. The third party benefits financially from the successful development and operation of the project. A key component of a typical public-private or public-public partnership is the analysis and negotiation of risk transfer and benefits to ensure that there is an appropriate balance between risk and reward for both parties.

Because of the commitment of CSU or auxiliary land to third parties for long periods of time and because of the risks involved, public-private or public-public partnerships are usually approved by the board in a two-step process consistent with board policy (RFIN 05-08-00): a concept approval, whereby the board is presented with the general idea and purpose of a project and authorizes the campus and staff to continue working toward a final development plan and agreement with a third

party; and a final approval, whereby the board is presented with the final development plan and agreement for approval. If appropriate, the board will also see and approve other actions related to the project, such as California Environmental Quality Act approvals, master plan amendments, or schematic designs.

With the passage of legislation in 2014 that shifted responsibility for non-revenue generating capital projects from the state to the CSU, campus interest in public-private partnerships has increased significantly as the CSU has sought ways to meet its capital needs with limited capital resources. Since November 2014, the board has granted concept or final approvals for sixteen projects at twelve campuses.

Summary of Public-Private Partnership Projects

In total, there are presently twenty public-private or public-public partnerships projects in the CSU that are in operation. In addition, there are thirty public-private or public-public partnerships that are in development or under evaluation, including twelve that have received concept approval from the board and six that have received final approval from the board.

The following table summarizes, by type of project, public-private and public-public partnerships projects that are in operation, in development, or under evaluation at the CSU:

Project Type	In Operation	In Development	Under Evaluation	Total
Commercial/Mixed Use	8	1	9	18
Housing	3	1	9	13
Charter/High School	4	1	1	6
Athletic	1	1	2	4
Other	4	-	5	9
Total	20	4	26	50

In addition to the many opportunities that these projects provide to campuses and auxiliaries to develop facilities for students and staff, create internships, and strengthen community engagement and partnership, these projects also provide opportunities to monetize underutilized land and provide cash flow that can also address campus needs. Total revenues to CSU campuses and auxiliaries generated from public-private partnerships currently in operation are approximately \$4.4 million per year.

AGENDA

COMMITTEE ON ORGANIZATION AND RULES

Meeting: 9:45 a.m., Wednesday, January 31, 2018
Glenn S. Dumke Auditorium

Thelma Meléndez de Santa Ana, Chair
Jane W. Carney, Vice Chair
Silas H. Abrego
Douglas Faigin
Lateefah Simon

- Consent**
1. Approval of Minutes of the Meeting of September 20, 2017, *Action*
 2. Proposed California State University Board of Trustees' Meeting Dates for 2019, *Information*
- Discussion**
3. Revision of Standing Orders – Delegation of Capital Outlay Project Approval, Schematic Design Approval, and Financing Approval, *Information*

**MINUTES OF THE MEETING OF
COMMITTEE ON ORGANIZATION AND RULES**

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

September 20, 2017

Members Present

Thelma Meléndez de Santa Ana, Chair
Jane W. Carney, Vice Chair
Silas H. Abrego
Lateefah Simon
Rebecca Eisen, Chair of the Board
Timothy P. White, Chancellor

Trustee Thelma Meléndez de Santa Ana called the meeting to order.

Public Comments

There were no public speakers.

Approval of the Minutes

The minutes of the July 19, 2017 meeting were approved as submitted.

**Approval of Proposed Revisions to Rules Governing the Board of Trustees
(ROR 09-17-01)**

RESOLVED, by the Board of Trustees of the California State University, that this board adopt the proposed amendments to the Code of Conduct of the Rules Governing the Board of Trustees as presented in Attachment B, Item 1 of the Committee on Organization and Rules at the September 19-20, 2017 board meeting.

COMMITTEE ON ORGANIZATION AND RULES

Proposed California State University Board of Trustees' Meeting Dates for 2019

Presentation By

Jane W. Carney
Committee Vice Chair

Summary

The following schedule of the CSU Board of Trustees' meetings for 2019 is presented for information and will be proposed for action at the March 2018 meeting.

Proposed 2019 Meeting Dates

January 22-23, 2019	Tuesday – Wednesday	Chancellor's Office
March 19-20, 2019	Tuesday – Wednesday	Chancellor's Office
May 21-22, 2019	Tuesday – Wednesday	Chancellor's Office
July 23-24, 2019	Tuesday – Wednesday	Chancellor's Office
September 24-25, 2019	Tuesday – Wednesday	Chancellor's Office
November 19-20, 2019	Tuesday – Wednesday	Chancellor's Office

COMMITTEE ON ORGANIZATION AND RULES

Revision of Standing Orders – Delegation of Capital Outlay Project Approval, Schematic Design Approval, and Financing Approval

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Summary

This item presents a revision to the May 26, 2016 California State University Board of Trustees' Standing Orders to increase authority delegated to the chancellor to approve capital outlay project budgets, approve schematic designs, and authorize the issuance of debt financing for all parking structures, and also for projects of an estimated total project cost of up to \$40,000,000. The proposed changes to the Standing Orders are presented for information and are noted in *italics* on page 1 of Attachment A.

Summary and project level detail is included in Attachments B and C to provide the data on recent capital outlay projects approved by the board. Attachment D is the list of capital projects approved under authority delegated to the chancellor since May 2016 (the list was also included in the 2018-2019 through 2022-2023 Five-Year Facilities Renewal & Capital Improvement Plan). This item will return to the board for action at a future meeting.

Background

The Board of Trustees has statutory authority to approve the CSU budget, including the capital outlay program and its associated projects. The board annually approves the capital outlay program and the associated Five-Year Facilities Renewal and Capital Improvement Plan as part of the budget request to the state.

The Standing Orders define the delegation of authority from the trustees to the chancellor and other officials in the CSU. The last significant amendment to the Standing Orders as they pertain to capital outlay projects was in May 2016, when the Board of Trustees increased the authorization to the chancellor to approve projects to be added to the capital outlay program and approve the

schematic design of projects that are valued at \$5 million or less. The action was taken to reduce the number of small design projects coming forward to the trustees for approval. The chancellor had previously been delegated authority to approve schematic plans on all remodel and utilitarian projects, regardless of cost, unless the design is architecturally significant or the project has unavoidable significant environmental impacts. Examples of utilitarian projects include site development, utilities, outdoor physical education facilities (excluding stadiums), interior remodels, minor additions, structural strengthening, heating and cooling facilities, landscape projects, and surface parking. Architecturally significant projects as determined by the campus master plan architect are presented to the board for approval.

At the November 2017, Board of Trustees meeting, Trustee John Nilon, Chair of the Committee on Campus Planning, Buildings and Grounds, requested staff provide a report to the board that would recommend a further increase in the level of authority delegated to the chancellor for the implementation of capital projects. The request would reduce the number of agenda items that are transactional in nature thereby freeing up time for the Board of Trustees to consider policy issues and other matters. Given the proposed \$40,000,000 project cost for determining delegation of authority to the chancellor, the authority to authorize the issuance of debt financing for projects is also being added to the delegation of authority to the chancellor. Notwithstanding the authority delegated to the chancellor, any project with issues or concerns that should be brought to the attention of the board will be presented to the board for approval.

Capital Outlay Program Data

The following information is provided in order to inform the board and develop a data driven recommendation.

- 1) **Attachment B, Summary of Capital Outlay Projects Considered by the Board.** The projects are identified by fiscal year and grouped by dollar value to help the board assess a proposed increase in the authority delegated to the chancellor.
 - a. **Total Projects by Fiscal Year** - This summary includes data from Fiscal Years (FY) 2015-2016, 2016-2017 and 2017-2018 (to date) on the total number of projects and the dollar value of the projects that were amended into the capital program, or for which schematic design was approved. We have also noted information on the action taken to ensure compliance with the California Environmental Quality Act (CEQA) as applicable.

The summary shows that over the course of roughly two years (January 2016 to December 2017) the board considered a total of 50 projects with a total value of almost \$1.37 billion in support of the implementation of the capital outlay program.

- b. **Sub-Total of Projects on the Discussion Agenda** – This is a subset of the total number of projects and identifies projects that were presented to the trustees, and for which the trustees had an opportunity for questions, or for which significant public comment was expected.

Of the 50 projects presented to the board, nine were on the Discussion Agenda and valued at over \$489 million.

- c. **Sub-Total of Projects on the Consent Agenda** – This is a subset of the total number of projects and identifies projects that meet certain criteria. Criteria may include: the project is routine; no explanation from staff is needed beyond the written materials; the project does not require certification of a Final Environmental Impact Report; and, the schematic plans have no opposition from the campus community.

Of the 50 projects presented to the board, 41 were on the Consent Agenda for either the approval of the: (1) master plan revision; (2) amendment to the capital outlay program; (3) approval of schematics; or (4) a combination of the actions. The value of the projects on the Consent Agenda was approximately \$879 million.

Of the 41 projects:

- 31 projects were valued at \$20 million or less
- 2 valued over \$20 million and equal to or less than \$40 million
- 4 valued over \$40 million and equal to or less than \$60 million
- 4 valued over \$60 million.

- 2) **Attachment C, List of Capital Outlay Projects Considered Since January 2016.** This provides the detail on the 50 specific campus projects and action(s) considered by the trustees, and totals \$1.37 billion to correspond to the Attachment B, Summary of Projects Considered by the CSU Board of Trustees. Of the 50 projects listed on Attachment C, nine projects also received approval to issue debt financing for the project and one project is requesting approval to issue debt financing at the January 2018 meeting of the board. Of these ten projects, debt financing for three of the projects would have fallen under the delegation of authority proposed herein.
- 3) **Attachment D, Delegated Capital Outlay Program Amendment Approval.** This list identifies the projects approved under delegated authority to the chancellor for projects that are valued \$5 million or less since the increase in authority was granted in May 2016. The list was added to the 2018-2109 through 2022-2023 Five-Year Facilities Renewal & Capital Improvement Plan to provide an annual report to the board on the projects approved under the delegated authority as per the Board of Trustees' resolution. There were 15 projects approved with a total value of \$44.9 million.

Proposed Increase in Authority

Consistent with the actions taken in 2016, this proposal aims to add clarity to the chancellor's delegation and eliminate the smaller transactions brought forward to the board for approval. Any item that requires an Environmental Impact Report to comply with CEQA will continue to come forward for trustee consideration and approval. The proposed changes to Standing Orders Section II (f) includes:

1. *Authorize the chancellor to approve the capital outlay budget and scope of projects with a value up to \$40 million.* Currently, all capital improvement projects with a proposed budget of more than \$5,000,000 come forward to the trustees for approval. The chancellor is delegated authority to approve projects with an estimated value of \$656,000 to \$5,000,000.
2. *Authorize the chancellor to approve the schematic design of new buildings or additions with a value up to \$40 million and associated CEQA documents.* The chancellor, or designee, was previously authorized to approve the schematic design of new buildings or additions valued up to \$5 million.
3. *Authorize the chancellor to approve the schematic design of all new parking structures and associated CEQA documents.* The chancellor already has the authority to approve the schematic design of all remodel and utilitarian projects, regardless of cost, unless the design is architecturally significant or includes significant unavoidable environmental impacts. This includes projects such as parking lots, photovoltaic structures, central heating/cooling plants, exterior fields and related facilities, etc.
4. *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 Bond Anticipation Notes, and/or the issuance of related debt instruments for projects approved by the chancellor under delegated authority as outlined in 1-3 above.*

In order to keep the board informed of the results of the proposed delegation, a report on the approved projects will be included in the annual five-year capital improvement plan.

Conclusion

This is an information item and will return to the trustees in March 2018 for action.

Proposed changes to the Standing Orders are shown in ~~striketrough~~ for deletions and *italics* for added text. Only Sections I and II of the Standing Orders are included as no other changes to the remaining sections are proposed.

STANDING ORDERS OF THE BOARD OF TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

I. PURPOSE

The Standing Orders delegate authority from the Board of Trustees to the chancellor and others within the California State University.

II. DELEGATION TO THE CHANCELLOR

The chancellor is the chief executive officer of the California State University and has authority and responsibility to take whatever actions are necessary, consistent with trustee policy and applicable law, for the appropriate functioning of the institution, which includes:

- a. Establishment and oversight of all academic programs.
- b. Issuance of degrees.
- c. Operation of educational opportunity programs.
- d. Resolution of claims, settlement of litigation, and discharge from accountability.
- e. Establishment of policies and procedures for acquisition or sale of services, facilities, materials, goods, supplies, and equipment with the authority to sign agreements.
- f. Development and oversight of the budget, including the capital outlay program, approval of capital outlay project scope, budget, ~~and~~ schematic design, *and authorization of debt financing* for projects valued ~~at \$5 million up to \$40 million,~~ ~~or less;~~ and approval of schematic design *and authorization of debt financing* for all remodels, *parking structures* and utilitarian projects, regardless of cost, unless the design is architecturally significant, *or the project requires an Environmental Impact Report* or includes significant unavoidable environmental impacts.
- g. Application, receipt, and oversight of grants and loans.
- h. Deposit, control, investment, and expenditure of funds.
- i. Establishment and oversight of campus fees; establishment, adjustment, and oversight of systemwide fees.
- j. Oversight of construction and authority to sign all construction documents.
- k. Purchase, sale, and exchange of any interest in or use of real property.
- l. Approval of minor changes to campus master plans.

Revisions proposed for discussion January 2018.

Attachment A

O&R – Agenda Item 3

January 29-31, 2018

Page 2 of 2

- m. Appointment of personnel, development, and enforcement of personnel programs and discipline and termination of personnel.
- n. Appointments to various boards and committees.
- o. Development of a legislative program.
- p. Acceptance of gifts.
- q. Permission to use the name of the CSU.
- r. Performance of all acts necessary to qualify for and receive benefits from the federal government.
- s. Oversight of the systemwide advancement program.

This list is not inclusive, and is not intended to limit the necessary actions of the chancellor as the chief executive officer of the institution. The chancellor may delegate his or her authority to others within the California State University. The chancellor may issue executive orders as are necessary or convenient to the performance of his or her office.

The chancellor shall regularly report to the Board of Trustees concerning the performance of his or her functions.

Summary of Capital Outlay Projects Considered by the Board

Total Projects by Fiscal Year

Fiscal Year	Total No. of Projects	Total Value of Projects	No. of Projects less than \$5M	Value of Projects less than \$5M	No. of Projects >\$5M to \$20M	Value of Projects >\$5M to \$20M	No. of Projects >\$20M to \$40M	Value of Projects >\$20M to \$40M	No. of Projects >\$40M to \$60M	Value of Projects >\$41M to \$60M	No. of Projects over \$60M	Value of Projects over \$60M
2015-16	31	\$ 258,301,000	17	\$ 41,089,000	11	\$ 102,889,000	1	\$ 24,197,000	2	\$ 90,126,000		
2016-17	12	\$ 572,021,000	1	\$ 4,203,000	4	\$ 36,579,000	2	\$ 50,042,000	2	\$ 104,295,000	3	\$ 376,902,000
2017-18	7	\$ 538,324,000			1	\$ 18,474,000	2	\$ 75,637,000			4	\$ 444,213,000
Totals	50	\$ 1,368,646,000	18	\$ 45,292,000	16	\$ 157,942,000	5	\$ 149,876,000	4	\$ 194,421,000	7	\$ 821,115,000

Sub-Total of Projects on the Discussion Agenda

2015-16	2	\$ 29,327,000			1	\$ 5,130,000	1	\$ 24,197,000				
2016-17	5	\$ 166,425,000			2	\$ 16,039,000	2	\$ 50,042,000			1	\$ 100,344,000
2017-18	2	\$ 294,000,000									2	\$ 294,000,000
Totals	9	\$ 489,752,000	0	\$ -	3	\$ 21,169,000	3	\$ 74,239,000	0	\$ -	3	\$ 394,344,000

Sub-Total of Projects on the Consent Agenda

2015-16	29	\$ 228,974,000	17	\$ 41,089,000	10	\$ 97,759,000			2	\$ 90,126,000		
2016-17	7	\$ 405,596,000	1	\$ 4,203,000	2	\$ 20,540,000			2	\$ 104,295,000	2	\$ 276,558,000
2017-18	5	\$ 244,324,000			1	\$ 18,474,000	2	\$ 75,637,000			2	\$ 150,213,000
Totals	41	\$ 878,894,000	18	\$ 45,292,000	13	\$ 136,773,000	2	\$ 75,637,000	4	\$ 194,421,000	4	\$ 426,771,000

List of Capital Outlay Projects considered since January 2016

No.	Fiscal Year	BOT Meeting	Campus	Consent (C) or Discussion (D)	Project Name	Total Project Cost	Type of Approvals	Amends by Consent	Schematics by Consent	Parking Structure / Parking Lots	Finance Approvals (1)
1	2015-16	January	FU	C	Solar Photovoltaic Array	\$14,745,000	Amend	\$14,745,000			
2	2015-16	January	FU	C	One Banting Tenant Improvements	\$5,250,000	Amend	\$5,250,000			
3	2015-16	January	LB	C	Parking Lots 7 & 14 Solar Photovoltaic	\$18,000,000	Amend	\$18,000,000		\$18,000,000	
4	2015-16	January	LB	C	Parking Lot 7 Expansion	\$5,000,000	Amend	\$5,000,000		\$5,000,000	
5	2015-16	January	NO	C	Bookstore Renovation	\$5,000,000	Amend	\$5,000,000			
6	2015-16	January	SA	C	Parking Structure V	\$48,911,000	Amend	\$48,911,000		\$48,911,000	\$22,685,000
7	2015-16	January	SA	C	Folsom Hall Renovation	\$4,500,000	Amend	\$4,500,000			
8	2015-16	January	SA	C	Lassen Hall Elevator	\$981,000	Amend	\$981,000			
9	2015-16	January	SA	C	Eureka Hall Networking Cabling	\$1,000,000	Amend	\$1,000,000			
10	2015-16	January	SD	C	Entrance Elements	\$2,585,000	Amend	\$2,585,000			
11	2015-16	March	PO	C	Parking Lot C Reconfiguration	\$3,827,000	Amend	\$3,827,000		\$3,827,000	\$4,075,000
12	2015-16	March	SB	C	Parking Lot N	\$6,454,000	Amend	\$6,454,000		\$6,454,000	\$3,725,000
13	2015-16	March	SJ	C	South Parking Facility Improvements	\$7,601,000	Amend	\$7,601,000		\$7,601,000	
14	2015-16	May	FU	C	Mihaylo Hall	\$1,044,000	Amend	\$1,044,000			
15	2015-16	July	FU	C	East & West Practice Fields Lighting Improvements	\$1,520,000	Amend	\$1,520,000			
16	2015-16	July	FU	C	McCarthy Hall Lab Suite Improvements	\$1,804,000	Amend	\$1,804,000			
17	2015-16	July	SA	C	Dining Commons Servery Renovation	\$5,983,000	Amend	\$5,983,000			
18	2015-16	September	PO	C	Scolinos Baseball Field Improvements, Ph 1	\$974,000	Amend	\$974,000			
19	2015-16	September	PO	C	Student Health & Counseling Center Renovation	\$2,645,000	Amend	\$2,645,000			
20	2015-16	September	SA	C	Baseball Field Lighting Improvements	\$880,000	Amend	\$880,000			
21	2015-16	September	SA	C	Center International Programs & Global Engagement	\$946,000	Amend	\$946,000			
22	2015-16	September	SA	C	University Union Renovation & Expansion, Ph 1	\$41,215,000	Amend	\$41,215,000			\$45,900,000
23	2015-16	September	SD	C	College of Extended Studies Classroom Renovation	\$4,500,000	Amend	\$4,500,000			
24	2015-16	September	SD	C	Multi-Purpose Recreation Field	\$3,161,000	Amend	\$3,161,000			
25	2015-16	November	CH	C	Boiler-Chiller Plant Modification	\$10,897,000	Amend	\$10,897,000			
26	2015-16	November	FU	C	College Park West Seismic Correction & Tenant Improvements	\$18,829,000	Amend	\$18,829,000			
27	2015-16	November	NO	C	Research Facility	\$2,832,000	Amend	\$2,832,000			
28	2015-16	November	SD	C	Confucius Institute Renovation	\$4,000,000	Amend	\$4,000,000			
29	2015-16	November	SD	C	Open Air Theater Concourse Improvements	\$3,890,000	Amend	\$3,890,000			
30	2015-16	November	LA	D	Tennis Center	\$5,130,000	Amend / Schem				
31	2015-16	November	SJ	D	Spartan Golf Complex	\$24,197,000	MP Rev / Amend / Schem				
32	2016-17	January	SL	C	Gold Tree Solar Photovoltaic	\$7,796,000	Amend	\$7,796,000			
33	2016-17	January	PO	C	Student Housing Replacement, Ph 1	\$185,000,000	Amend / Schem	\$185,000,000	\$185,000,000		\$156,020,000
34	2016-17	January	SB	C	College of Extended Education Learning Expansion	\$50,895,000	Amend / Schem	\$50,895,000	\$50,895,000		\$55,170,000
35	2016-17	January	SA	C	Science II Replacement Building, Ph 2	\$91,558,000	Schematics		\$91,558,000		

List of Capital Outlay Projects considered since January 2016

No.	Fiscal Year	BOT Meeting	Campus	Consent (C) or Discussion (D)	Project Name	Total Project Cost	Type of Approvals	Amends by Consent	Schematics by Consent	Parking Structure / Parking Lots	Finance Approvals (1)
36	2016-17	January	ST	C	University Union Renovation Expansion	\$53,400,000	Schematics		\$53,400,000		\$55,405,000
37	2016-17	May	SL	C	Intramural Field Upgrade	\$4,203,000	Amend	\$4,203,000			
38	2016-17	May	SD	D	Replacement Residential Life Program & Conference Center	\$24,000,000	MP Rev / Amend / Schem				\$25,170,000
39	2016-17	May	SL	D	Replacement & Expansion Equine Center	\$9,660,000	Adopt MND / MP Rev / Amend / Schem				
40	2016-17	May	SF	D	Holloway Ave Revitalization: Replacement Student Housing & Creative Arts	\$100,344,000	MP Rev / FEIR / Amend / Schem				
41	2016-17	May	LA	D	LA Football Club & Training Facility	\$26,042,000	Amend / Schem				
42	2016-17	July	SL	D	Baseball Clubhouse Replacement Building	\$6,379,000	Amend / Schem				
43	2016-17	September	MB	C	Monterey Bay Charter School, Ph 1	\$12,744,000	MP Rev / Amend	\$12,744,000			
44	2017-18	July	NO	C	G6 Parking Structure	\$38,409,000	Amend	\$38,409,000		\$38,409,000	
45	2017-18	July	SA	C	Recreation/Wellness Center Expansion, Ph 2	\$37,228,000	Amend	\$37,228,000			
46	2017-18	July	CI	D	University Glen, Ph 2 Housing Project	\$164,000,000	MP Rev / FEIR / Amend / Schem / Ground Lease				
47	2017-18	September	SL	C	Fermentation Sciences Complex	\$18,474,000	Amend / Schem	\$18,474,000	\$18,474,000		
48	2017-18	September	SD	D	New Student Residence Hall	\$130,000,000	MP Rev / FEIR / Amend / Schem / Financing				\$141,130,000
49	2017-18	November	LA	C	Parking Structure E (2)	\$62,213,000	Amend / Schem	\$62,213,000	\$62,213,000	\$62,213,000	\$64,730,000
50	2017-18	November	SB	C	Student Union Renovation & Expansion	\$88,000,000	Amend / Schem	\$88,000,000	\$88,000,000		
Total Capital Projects Considered by BOT						\$1,368,646,000					

Fiscal Year	Sub-Total on the Consent Agenda	Total
2015/16	29	\$228,974,000
2016/17	7	\$405,596,000
2017/18	5	\$244,324,000
Total	41	\$878,894,000

(1) Board of Trustees meeting dates for financing approvals do not always correspond with the Board of Trustees meeting dates for master plan, capital outlay amendments, or schematics approvals. All financing approvals were on consent.

(2) Financing approval for the LA Parking Structure E is being presented at the January 2018 meeting of the Board of Trustees and is on consent.

**Delegated Capital Outlay Program Amendment Approval 2013/14 through 2017/18
(Dollars in 000s)**

Campus	Seismic Project	Fund	2013/14	2014/15	2015/16	2016/17	2017/18
Bakersfield	Bus Transit Center	Gra				PWC 1,786	
East Bay	STEM Facility Renovations	Campus-I				PWCE 2,500	
		Don				PWCE 2,500	
Fresno	North & South Gym Modernization	Campus-I				PWC 4,787	
Long Beach	Psychology Building BRAIN Laboratory Renovation	Campus-I				PWC 2,985	
		Gra				PWCE 200	
Long Beach	Battery Energy Storage System	Eng				PWC 3,467	
Monterey Bay	7th Avenue Parking Lot	Pkg				PWC 4,518	
Northridge	Plummer and Darby Intersection Renovation	Pkg				PWC 2,563	
Sacramento	Testing Center Relocation	Campus-I				PWCE 844	
Sacramento	304 S Street Interior Renovation	Aux				PWC 2,945	
San Diego	College Square Renovation	SH				PWCE 3,000	
San José	Health Building Renovation, Floors 1 & 2	Campus-I				PWCE 3,870	
Long Beach	Campuswide ADA Upgrades	Campus-I					PWC 3,943
Sacramento	University Union Boiler Installation	Campus-I					PWC 740
San Diego	Football Locker Room Renovation	Campus-I					PWC 2,000
San José	Well Replacement	Campus-I					PWC 2,335
	Total		\$0	\$0	\$0	\$35,965	\$9,018

P = Preliminary Plans W = Working Drawings C = Construction E = Equipment

**Delegated Capital Outlay Program Amendment Approval 2013/14 through 2017/18
(Dollars in 000's)**

Campus	Seismic Project	Fund	2013/14	2014/15	2015/16	2016/17	2017/18
Bakersfield	Bus Transit Center	Gra				PWC 1,786	
East Bay	STEM Facility Renovations	Campus-I				PWCE 2,500	
		Don				PWCE 2,500	
Fresno	North & South Gym Modernization	Campus-I				PWC 4,787	
Long Beach	Psychology Building BRAIN Laboratory Renovation	Campus-I				PWC 2,985	
		Gra				PWCE 200	
Long Beach	Battery Energy Storage System	Eng				PWC 3,467	
Monterey Bay	7th Avenue Parking Lot	Pkg				PWC 4,518	
Northridge	Plummer and Darby Intersection Renovation	Pkg				PWC 2,563	
Sacramento	Testing Center Relocation	Campus-I				PWCE 844	
Sacramento	304 S Street Interior Renovation	Aux				PWC 2,945	
San Diego	College Square Renovation	SH				PWCE 3,000	
San José	Health Building Renovation, Floors 1 & 2	Campus-I				PWCE 3,870	
Long Beach	Campuswide ADA Upgrades	Campus-I					PWC 3,943
Sacramento	University Union Boiler Installation	Campus-I					PWC 740
San Diego	Football Locker Room Renovation	Campus-I					PWC 2,000
San José	Well Replacement	Campus-I					PWC 2,335
	Total	\$44,983	\$0	\$0	\$0	\$35,965	\$9,018

P = Preliminary Plans W = Working Drawings C = Construction E = Equipment

AGENDA

COMMITTEE ON AUDIT

Meeting: 10:05 a.m., Wednesday, January 31, 2018
Glenn S. Dumke Auditorium

Douglas Faigin, Chair
Hugo N. Morales, Vice Chair
Silas H. Abrego
Lillian Kimbell
Peter J. Taylor

- Consent**
1. Approval of Minutes of the Meeting of November 8, 2017, *Action*
 2. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
- Discussion**
3. Calendar Year 2018 Plan for Audits, Advisory Services, and Investigations, *Action*
 4. Report of the Systemwide Financial Statements and Single Audit of Federal Awards Including the Report to Management, *Information*

**MINUTES OF THE MEETING OF
COMMITTEE ON AUDIT**

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

November 8, 2017

Members Present

Hugo N. Morales, Vice Chair
Silas H. Abrego
Lillian Kimbell
Peter J. Taylor
Rebecca Eisen, Chair of the Board
Timothy P. White, Chancellor

Trustee Douglas Faigin called the meeting to order.

Approval of Minutes

The minutes of September 20, 2017, were approved as submitted.

Status Report on Current and Follow-up Internal Audit Assignments

With the concurrence of the committee, Trustee Faigin presented agenda item 1 as a consent information item.

Report on Implementation of the New Organization Structure of the Office of Audit and Advisory Services

Mr. Larry Mandel, vice chancellor and chief audit officer, provided a status update on the new organization structure, which was developed in response to recommendations contained in the 2014 quality assurance review of the Office of Audit and Advisory Services. Mr. Mandel provided updates on functional and organizational changes that have been either completed, initiated, or are on-going. Mr. Mandel shared that the previously separate teams for campus and auxiliary organization audits have been combined into four audit teams, the risk assessment process has been changed from a systemwide risk assessment approach to a campus-specific approach, custom audit plans have been created for each campus and the chancellor's office, a continuous auditing initiative is being developed, and a dedicated sponsored programs audit function has been created.

Aud.
Agenda Item 1
January 29-31, 2018
Page 2 of 2

President Tomás D. Morales spoke to how the new organization structure has further benefited the audit relationship with California State University, San Bernardino. President Leslie E. Wong provided remarks as to how the new organization structure and approach to campus audits has served San Francisco State University.

Trustee Peter Taylor noted he is pleased to hear about the use of data analytics. Trustee Taylor asked if the CSU has considered a program to identify high performing staff and rotate them through internal audit and expose them to the advisory function within internal audit. Mr. Mandel noted that it has been considered in the past but not recently.

Trustee Hugo Morales asked what prompted the changes. Mr. Mandel replied that the 2014 quality assurance review recommendations prompted the organization and functional changes.

Trustee Faigin echoed Trustee Taylor's comments about the importance of the advisory nature of internal audit and provided a reminder that audit reports can be found on the Cal State website.

Trustee Faigin adjourned the Committee on Audit.

COMMITTEE ON AUDIT

Status Report on Current and Follow-up Internal Audit Assignments

Presentation By

Larry Mandel
Vice Chancellor and Chief Audit Officer
Office of Audit and Advisory Services

Summary

This item includes both a status report on the 2017 audit plan and follow-up on past assignments. For the 2017 year, assignments were made to develop and execute individual campus audit plans, as well as to conduct audits of Information Technology (IT), Sponsored Programs and Construction; and to provide advisory services and investigation reviews. Follow-up on current and past assignments was also being conducted on approximately 30 completed campus reviews. Attachment A summarizes the audit assignments in tabular form.

AUDITS

Campus Audits

The new organization structure provides for individual campus audit plans that are better aligned with campus and auxiliary organization risks. Risk assessments and initial audit plans have been completed for all campuses. Thirty-one campus reports have been completed, seven reports are awaiting a campus response prior to finalization, and report writing is being completed for four campuses.

Information Technology Audits

The initial audit plan indicated that reviews of Information Security, Logical Access and Security, IT Disaster Recovery and General Computer Controls would be performed at those campuses where a greater degree of risk was perceived for each topic. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues. Eight campus reports have been completed, one campus report is awaiting a campus response prior to finalization, and report writing is being completed for three campuses.

Sponsored Programs

The initial audit plan indicated that reviews of post award activities based on recent changes in federal regulations, as well as a systemwide review of campus policies, procedures, and practices relating to indirect cost recovery would be performed. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues relating to sponsored programs activities. Two campus reports have been completed, and three campus reports are awaiting a campus response prior to finalization.

Construction

The initial audit plan indicated that reviews of recently completed construction projects, including activities performed by the campus, general contractor, and selected subcontractors would be performed. Areas to be reviewed include approval of project design, budget and funding; administration of the bid and award process; the closeout process; and overall project accounting and reporting. Three campus reports have been completed, one campus report is awaiting a campus response prior to finalization, and report writing is being completed for one project.

ADVISORY SERVICES

The Office of Audit and Advisory Services partners with management to identify solutions for business issues, offer opportunities to improve the efficiency and effectiveness of operating areas, and assist with special requests, while ensuring the consideration of related internal control issues. Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns. Reviews are ongoing.

INVESTIGATIONS

The Office of Audit and Advisory Services is periodically called upon to provide investigative reviews, which are often the result of alleged misappropriations or conflicts of interest. In addition, whistleblower investigations are being performed on an ongoing basis, both by referral from the state auditor and directly from the CSU Chancellor's Office.

COMMITTEES/SPECIAL PROJECTS

The Office of Audit and Advisory Services is periodically called upon to provide consultation to the campuses and/or to participate on committees such as those related to information systems implementation and policy development, and to perform special projects.

AUDIT SUPPORT

Annual Risk Assessment

The Office of Audit and Advisory Services annually conducts a risk assessment to determine the areas of highest risk to the system, as well as campus-specific risks.

Administration

Day-to-day administration of the Office of Audit and Advisory Services includes such tasks as scheduling, personnel administration, maintenance of department standards and protocols, administration of the department's automated workpaper system and SharePoint website, and department quality assurance and improvement.

**Status Report on Current and Past
Audit Assignments
(as of 1/25/2018)**

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
Bakersfield	Emergency Management	2017	AC	5/5	-
	Athletic Fund-Raising	2017	AI		
Channel Islands	Const. - West Hall	2017	AC	2/2	-
	Fund-Raising and Gift Processing	2017	AC	1/9	5
Chico	Const. - Taylor II Replacement Building	2017	AC	4/4	-
	Student Activities	2017	AC	2/2	-
	Logical Access and Security	2017	AC	0/3	3
	Facilities Management	2017	AI		
Dominguez Hills	Information Security	2017	AC	8/10	7
	Business Continuity	2017	AC	1/2	5
	Student Organizations	2017	AI		
East Bay	Emergency Management	2016	AC	8/8	-
	Cashiering	2017	AC	5/5	-
	Sponsored Programs - Post Award	2017	AI		
Fresno	Sponsored Programs - Post Award	2017	AC	3/3	-
	Cashiering	2017	AC	3/3	-
	Hazardous Materials Management	2017	AC	0/7	3
	Const. - Jordan Research Building	2017	RW		
Fullerton	International Activities	2017	AC	6/6	-
	Academic Department Fiscal Review	2017	AC	2/4	4
	Cashiering	2017	AI		
Humboldt	Logical Access and Security	2017	AC	1/1	-
	Extended Education	2017	AC	0/5	1
Long Beach	Counseling and Psychological Services	2017	AC	3/3	-
	IT Disaster Recovery	2017	AC	0/0	-
	Sponsored Programs - Post Award	2017	AC	1/4	5
Los Angeles	Cashiering	2017	AC	4/4	-
	Student Health Services	2017	AI		
	Student Organizations	2017	AI		
Maritime Academy	Information Security	2017	AC	4/7	5
	Police Services	2017	AC	3/4	3
Monterey Bay	Cashiering	2017	AC	3/3	-
	Police Services	2017	AC	4/6	4
Northridge	Const. - Extended Learning Building	2017	AC	0/0	-
	Facilities Management	2017	AC	3/4	3
	Student Organizations and Sport Clubs	2017	RW		
Pomona	IT Disaster Recovery	2017	AC	2/2	-
	Student Disability Support	2017	AC	7/8	5
	Emergency Management	2017	RW		
Sacramento	Information Security	2017	AC	0/11	4
	Centers and Institutes	2017	AI		

**Status Report on Current and Past
Audit Assignments
(as of 1/25/2018)**

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
San Bernardino	Cashiering	2017	AC	5/5	-
	Police Services	2017	AI		
	Logical Access and Security	2017	RW		
San Diego	Information Security	2015	AC	7/7	-
	Facilities Management	2017	AC	5/7	7
	Instructionally Related Activity Fees	2017	AC	0/0	-
	Const. - Open Air Theater Improvements and Confucius Institute Renovation	2017	AI		
San Francisco	International Activities	2017	AC	1/2	6
	Academic Department Fiscal Review	2017	AC	0/4	2
	Special Investigation	2017	AC	0/2	4
	Decentralized Computing	2017	RW		
San Jose	Associated Students	2017	AC	3/5	4
	Tower Foundation	2017	AC	1/3	1
	Sponsored Programs - Post Award	2017	AI		
San Luis Obispo	Information Security	2016	AC	6/6	-
	Hazardous Materials Management	2017	AC	7/7	-
	Cashiering	2017	AC	4/4	-
San Marcos	International Activities	2017	AC	6/6	-
	Information Security	2017	AC	0/5	1
	Service Learning and Internships	2017	AC	0/2	2
Sonoma	Cashiering	2017	AC	2/3	7
	Information Security	2017	AI		
Stanislaus	IT Disaster Recovery	2016	AC	8/8	-
	Service Learning and Internships	2017	AC	0/3	3
	Student Disability Support	2017	RW		
Chancellor's Office	IT Disaster Recovery	2016	AC	3/3	-
	Credit Cards	2017	AC	6/6	-
	Special Investigation	2017	AC	3/5	6
	Information Security	2017	RW		
Systemwide	Emergency Management	2016	AC	1/1	-
	Sponsored Programs - Indirect Costs	2017	AI		

Status

FW - Field Work In Progress

RW - Report Writing in Progress

AI - Audit Incomplete (awaiting formal exit conference and/or campus response)

AC - Audit Complete

Follow-Up

* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.

** The number of months recommendations have been outstanding from date of report.

Numbers/letters in green are updates since the agenda mailout.

COMMITTEE ON AUDIT

Calendar Year 2018 Plan for Audits, Advisory Services, and Investigations

Presentation By

Larry Mandel
Vice Chancellor and Chief Audit Officer
Office of Audit and Advisory Services

Summary

The Office of Audit and Advisory Services presents its audit plan for the calendar year at the January meeting of the Board of Trustees, Committee on Audit. At the November 2017 meeting of the Committee on Audit, the Office of Audit and Advisory Services provided an update on the status of the implementation of the new organization structure, which is being phased in over a four-year period. The following is an audit plan for calendar year 2018, which is year two of the new organization structure phase-in period.

AUDITS - 72% of Plan

Campus Audits (55%)

The new organization structure provides for individual campus audit plans that are better aligned with campus and auxiliary organization risks, as well as the implementation of continuous auditing techniques for more focused and higher quality audits. Continuous auditing uses data analytics tools and techniques to analyze large volumes of data, look for anomalies and trends, and complement the existing risk assessment process. In-person interviews with campus management have been completed to build upon information learned in the 2017 risk assessment in order to identify campus specific/unique topics to be reviewed. Once the campus audit plans are finalized, audit programs will be developed and executed. In addition, continuous audit techniques will be used to review credit card data for twelve campuses to identify potential risks and to evaluate compliance with policies and procedures.

Information Technology Audits (9%)

The audit plan includes reviews of Information Security and other campus information technology topics. Areas to be reviewed include, but are not limited to Information Technology Disaster Recovery, Cloud Computing, and Decentralized Computing. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues and will be performed at those campuses where a greater degree of risk was perceived for each of these areas.

Sponsored Programs (4%)

The audit plan includes reviews of both post-award and pre-award activities. Post-award reviews will emphasize review of operational, administrative, and financial controls to determine whether processes and expenditures are in accordance with both sponsor terms and conditions, and applicable policies, procedures, and regulations. Pre-award reviews will emphasize compliance with conflict-of-interest and training requirements. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues relating to sponsored programs activities.

Construction (4%)

The audit plan includes reviews of recently completed construction projects, including activities performed by the campus, general contractor, and selected subcontractors. Areas to be reviewed include, but are not limited to, approval of project design, budget and funding; administration of the bid and award process; the closeout process; and overall project accounting and reporting.

ADVISORY SERVICES - 12% of Plan

The Office of Audit and Advisory Services will partner with management to identify solutions for business issues, offer opportunities to improve the efficiency and effectiveness of operating areas, and assist with special requests, while ensuring the consideration of related internal control issues. Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns.

INVESTIGATIONS - 6% of Plan

The Office of Audit and Advisory Services is periodically called upon to provide investigative reviews which are often the result of alleged misappropriations or conflicts of interest. In addition, whistleblower investigations are being performed on an ongoing basis, both by referral from the state auditor and directly from the chancellor's office.

COMMITTEES/SPECIAL PROJECTS - 1% of Plan

The Office of Audit and Advisory Services is periodically called upon to participate on committees and to perform special projects.

AUDIT SUPPORT - 9% of Plan

Annual Risk Assessment

The Office of Audit and Advisory Services annually conducts a risk assessment to determine the areas of highest risk to the system, as well as campus-specific risks.

Administration

Day-to-day administration of the Office of Audit and Advisory Services includes such tasks as scheduling, personnel administration, maintenance of department standards and protocols, administration of the department's automated workpaper system and SharePoint website, and department quality assurance and improvement.

The following resolution is recommended for approval:

RESOLVED, By the Committee on Audit of the California State University Board of Trustees that the Calendar Year 2018 Plan for Audits, Advisory Services, and Investigations, as detailed in Agenda Item 3 of the Committee on Audit at the January 29-31, 2018 meeting, be approved.

COMMITTEE ON AUDIT

Report of the Systemwide Financial Statements and Single Audit of Federal Awards Including the Report to Management

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Mary Ek
Assistant Vice Chancellor/Controller
Financial Services

Summary

Financial statements audits are performed annually for the California State University system as a whole, and for its discretely presented component units (i.e., auxiliary organizations) that separately issue stand-alone audited financial statements, by 18 certified public accounting firms. The CSU systemwide financial statements for the fiscal year ended June 30, 2017 were issued with an unmodified opinion on November 17, 2017, and are included as Attachment A to this item.

There were no audit findings relating to the CSU systemwide financial statements. Highlights of the CSU systemwide financial statements will be presented including any significant changes from last year. There were audit findings relating to some of the separately issued component units' financial statements, and the Chancellor's Office is following up ensure appropriate corrective actions are taken.

Additionally, federal awards received by the CSU, including student financial aid, are subject to both compliance and internal control audit procedures as required by the Office of Management and Budget Compliance Supplement and the Uniform Guidance. The CSU Single Audit Report was issued on November 17, 2017 and is included as Attachment B to this item. There were three audit findings identified in the Single Audit Report. Two findings related to internal controls over administration of federal financial aid programs at several campuses and one related to internal control over verification of Student Aid Application Information at one campus. The two findings related to administration of financial aid programs were essentially repeat findings from the previous year, but at different campus locations sampled in the current year. Corrective actions are underway and a status update will be provided at a future board meeting.



CALIFORNIA STATE UNIVERSITY
Financial Statements and Supplementary Information
June 30, 2017
(With Independent Auditors' Report Thereon)

CALIFORNIA STATE UNIVERSITY

Table of Contents

	Page(s)
Letter from the Executive Vice Chancellor, Chief Financial Officer	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis (Unaudited)	5-31
Basic Financial Statements:	
Statement of Net Position	32-33
Statement of Revenues, Expenses, and Changes in Net Position	34
Statement of Cash Flows	35-36
Notes to Financial Statements	37-80
Required Supplementary Information:	
Schedule 1: Schedule of University's Proportionate Share of the Net Pension Liability (Unaudited)	81
Schedule 2: Schedule of Employer Contributions (Unaudited)	82-83
Supplementary Information:	
Schedule 3: Systemwide Revenue Bond Program's Net Income Available for Debt Service	84
Schedule 4: Systemwide Revenue Bond Program's Residence and Dining Halls Operating Data by Campus (Unaudited)	85
Schedule 5: Systemwide Revenue Bond Program's Statement of Insurance Coverage (Unaudited)	86

LETTER FROM THE EXECUTIVE VICE CHANCELLOR, CHIEF FINANCIAL OFFICER

The California State University is an extraordinary system of 23 campuses providing an outstanding education to over 472,000 students in the college year 2016-17. The University is dedicated to providing opportunities and opening doors for our students to learn and grow. As the nation's largest and most diverse university, it has become the economic engine for California; creating jobs, companies, and innovation. With more than three million degrees awarded since inception, the majority of California's leaders and policymakers received their degrees from one of the 23 campuses of the California State University.

The investment of tax dollars into the California State University is the best investment Californians can make in their future. For every \$1 invested in the California State University, \$5.43 is invested by the University back into California's economy. This investment helps ensure an educated and successful California populace that leads to economic and social prosperity.

The University has embarked on an ambitious goal to significantly decrease the time it takes for our students to earn their degree. As part of this initiative, we will double the number of students earning a degree in four years, and more importantly, decrease the time it takes for all students to earn a degree. Additional investments in the California State University by the State will ensure our success in this transformational initiative.

I am happy to say that the California State University's financial position is very strong, and the new financial authority granted to the University by the State will allow us to optimally use our resources for our highest priorities. While we continue to increase our enrollment capacity, the demand for admission to our campuses continues to increase at a much higher rate.

The campuses and University system are working hard to improve and streamline our operations so that we can best serve our students. We are investing in innovative new ways to provide students with tools to shorten the time it takes to get their degree, and provide faculty with the resources they need to be successful.

Our commitment to the people of California is to build on the foundation of a great University; to increase access to a high-quality education, and to help solve the State's greatest challenges in the years ahead.



STEVE RELYEA
EXECUTIVE VICE CHANCELLOR, CFO
THE CALIFORNIA STATE UNIVERSITY



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

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 (the State), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements 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 88 of the 90 aggregate discretely presented component units, which reflect total assets constituting 96% and total revenues constituting 94% 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 88 discretely presented component units, is based solely on the reports of the 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 46 discretely presented component units were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

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.

Opinion

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, 2017, 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 5–31, and the Schedules of University's proportionate share of the net pension liability and employer contributions in Schedules 1 and 2, 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 Standard 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 as a whole. The supplementary information included in Schedules 3 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Schedule 3 is the responsibility of management and was derived from and relate 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, based on our audit, Schedule 3 is fairly stated in all material respects, in relation to the basic financial statements that collectively comprise the University's basic financial statements.

Schedules 4 and 5 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 them.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017 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 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 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

Orange County, California
November 17, 2017

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

The Management's Discussion and Analysis 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, 2017, including 23 campuses and the Office of the Chancellor (collectively referred to as the University), and 90 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 opportunity and a 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 are primarily recognized auxiliary organizations. These are nonprofit organizations which 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 or food services
- Philanthropic activities

Financial Statements

The financial statements of the University as of and for the year ended June 30, 2017 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.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis

June 30, 2017

(Unaudited)

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 sources of revenue, 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 is 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.

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.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

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.

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 is as follow:

	<u>University</u>		<u>Discretely presented component units</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(In thousands)			
Assets:				
Current assets	\$ 3,579,682	3,412,561	1,250,207	1,197,643
Capital assets, net	8,569,643	8,307,666	826,412	815,871
Other noncurrent assets	2,469,600	1,755,095	2,308,958	2,060,350
Total assets	<u>14,618,925</u>	<u>13,475,322</u>	<u>4,385,577</u>	<u>4,073,864</u>
Deferred outflows of resources	<u>1,829,367</u>	<u>922,449</u>	<u>29,972</u>	<u>19,721</u>
Liabilities:				
Current liabilities	1,385,123	1,271,242	340,458	320,475
Noncurrent liabilities	15,007,323	12,942,137	981,540	1,005,036
Total liabilities	<u>16,392,446</u>	<u>14,213,379</u>	<u>1,321,998</u>	<u>1,325,511</u>
Deferred inflows of resources	<u>17,394</u>	<u>143,167</u>	<u>13,058</u>	<u>16,263</u>
Net position:				
Net investment in capital assets	3,443,607	3,522,905	264,544	227,166
Restricted:				
Nonexpendable	1,746	8,653	1,174,814	1,057,270
Expendable	256,809	119,896	1,001,637	893,104
Unrestricted	<u>(3,663,710)</u>	<u>(3,610,229)</u>	<u>639,498</u>	<u>574,271</u>
Total net position	<u>\$ 38,452</u>	<u>41,225</u>	<u>3,080,493</u>	<u>2,751,811</u>

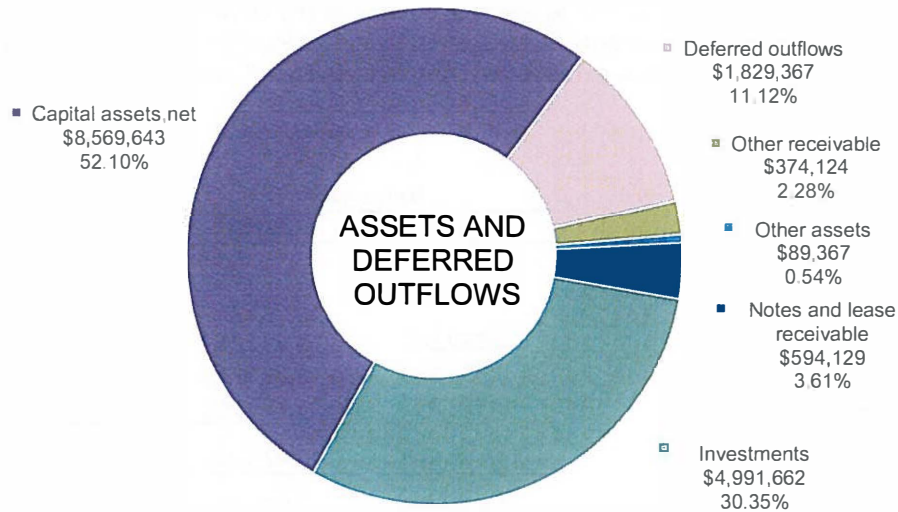
CALIFORNIA STATE UNIVERSITY
 Management's Discussion and Analysis
 June 30, 2017
 (Unaudited)

The University's Financial Position

Assets and Deferred Outflows of Resources

Total assets increased from \$13.48 billion in 2016 to \$14.62 billion in 2017. Deferred outflows of resources increased from \$922.45 million in 2016 to \$1.83 billion in 2017.

Assets and Deferred Outflows of Resources
 June 30, 2017
 (In thousands)



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, leases receivable, student loans receivable, pledges receivable, prepaid expenses, and other assets.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

Capital Assets, Net

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

	<u>2017</u>	<u>2016</u>
	(In thousands)	
Land and land improvements	\$ 268,821	268,821
Buildings and building improvements	6,432,766	6,052,778
Improvements other than buildings	202,100	181,290
Infrastructure	654,440	633,175
Equipment	225,538	228,774
Library books and materials	32,178	34,422
Works of art and historical treasures	44,713	38,833
Intangible assets	50,961	39,272
Construction work in progress	658,126	830,301
Total	<u>\$ 8,569,643</u>	<u>8,307,666</u>

Total capital assets, net of accumulated depreciation and amortization, increased by \$261.98 million as a result of additions on various capital projects, including the following:

- Completion of the \$126.52 million San Jose Campus Village, Phase 2
- Completion of the \$132.96 million San Jose Student Union Expansion and Renovation
- Completion of the \$49.65 million Channel Islands Student Housing, Phase 3
- Completion of the \$42.13 million Pomona Parking Structure II
- Construction in progress on the \$142.70 million San Diego South Campus Plaza
- Construction in progress on the \$131.63 million San Jose Student Recreation and Aquatics Center
- Construction in progress on the \$126.46 million Pomona Administration Replacement Facility (Seismic)
- Construction in progress on the \$93.96 million San Bernardino Student Housing and Dining Commons
- Construction in progress on the \$80.49 million San Francisco Recreation Wellness Center
- Construction in progress on the \$79.60 million San Diego Engineering and Interdisciplinary Sciences Complex

Investments

The University invests its funds mainly through the CSU Consolidated Investment Pool, whose objective is to maximize current income while ensuring asset safety and liquidity. In addition, funds are invested in Surplus Money Investment Fund (SMIF), which is managed by the State Treasurer to invest funds in a short-term pool.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

Investments increased by \$917.04 million due to an overall increase in operating resources provided by the State through noncapital appropriations and proceeds from the issuance of SRB Series 2017A, 2017B, and 2017C. Endowment investments comprise \$1.75 million of the total investments, a decrease of \$6.9 million from the prior year due to transfer of endowments from the University to the discretely presented component units (mainly Foundations).

In September 2016, the State Legislature passed Senate Bill (SB) 1412, which allows the University to invest in mutual funds including equity mutual funds, subject to registration by, and under the regulatory authority of the United States Securities and Exchange Commission, or in United States registered real estate investment trusts, effective January 1, 2017. Prior to SB 1412, the University was restricted to investing in fixed income securities.

Under SB 1412, the University is required to create an investment advisory committee reporting to the Board of Trustees. The total amount invested under the new investment authority shall not exceed: \$200 million in fiscal year 2017, \$400 million in fiscal year 2018, \$600 million in fiscal year 2019, and 30% of total investment in fiscal year 2020 and thereafter. The investment advisory committee was formed and approved by the Board of Trustees in September 2017.

All additional earnings from investment under the new authority shall be used only for capital outlay or maintenance, and shall not be used for ongoing operations. As of June 30, 2017, the University has not invested in securities allowed under the new investment authority.

Notes and Leases 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 or refinanced 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 unit 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 to 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 increased from \$290.91 million in 2016 to \$341.25 million in 2017. It increased by \$50.34 million due mainly to the new loan agreement with the University Corporation at Monterey Bay for \$60.14 million. Current year notes receivable collections were \$9.82 million.

In a lease arrangement, the financed lease facility is leased from the University, as lessor, to discretely presented component, as lessee. Under the lease arrangement, the lessee agrees to operate the facility and to make certain rental payment to the University.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

The leases receivable from discretely presented component units decreased from \$333.71 million in 2016 to \$242.71 million in 2017. This is due to California State University Channel Islands Site Authority's advance lease payment of \$76.76 million after the sale of the financed capital assets and \$3.93 million due to refunding. The remainder of the decrease is due to the current year leases receivable collections.

Other Receivable

Other receivable includes accounts receivable, student loans receivable, and pledges receivable. The other receivable increased from \$362.93 million in 2016 to \$374.12 million in 2017.

The accounts receivable from State Public Works Board (SPWB) Lease Revenue Bond program for the capital outlay projects amounted to \$66.31 million and \$90.92 million as of June 30, 2017 and 2016, respectively. The decrease of \$24.61 million is due to the claims of funds used for current year construction for SPWB approved capital projects.

The accounts receivable from the State for capital and noncapital appropriations increased from \$33.96 million in 2016 to \$54.95 million in 2017. The increase is mainly from the current year appropriations amounted to \$35 million for the University's deferred maintenance and infrastructure needs.

Accounts receivable from student accounts increased from \$53.41 million in 2016 to \$68.44 million in 2017. Student loans receivable, on the other hand, decreased from \$81.25 million in 2016 to \$77.24 million in 2017.

Other Assets

Other assets include cash and cash equivalents, restricted cash and cash equivalents, and prepaid expenses and other current assets. The other assets decreased from \$96.42 million in 2016 to \$89.37 million in 2017. The construction reserves under the SPWB Lease Revenue Bonds program were released to fund construction costs which resulted to the decrease.

Deferred Outflows of Resources

Deferred outflows of resources are consumption of net assets that is applicable to a future reporting period, which has a positive effect on the net position. The University's deferred outflows of resources consist of unamortized loss on debt refundings and the changes in pension related items, as discussed below.

Deferred outflows of resources increased by \$906.92 million from \$922.45 million in 2016 to \$1.83 billion in 2017. The deferred outflows of resources related to pension represent 87.95% in 2016 and 94.34% in 2017 of the total account balance. The increase is due to the following:

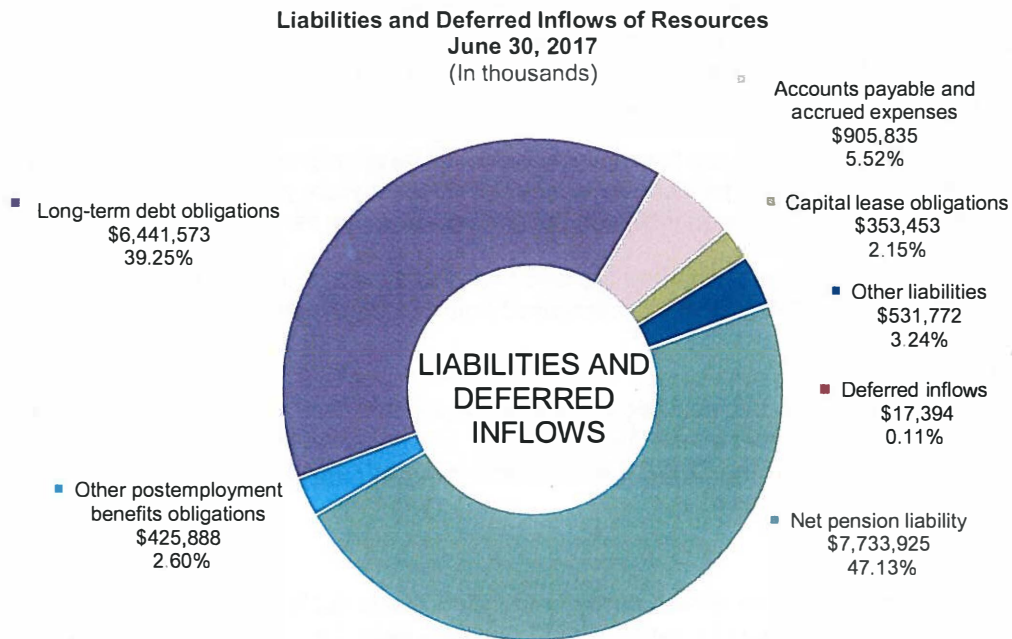
- Increase due to recognition of the differences between projected and actual earnings on California Public Employees' Retirement System (CalPERS) pension plan investments used in determining the net pension liability;
- Increase in the University's retirement contributions subsequent to the measurement date; and
- Increase in the University's proportionate share in the State's pension plans.

CALIFORNIA STATE UNIVERSITY
 Management's Discussion and Analysis
 June 30, 2017
 (Unaudited)

The increase is offset by the current year amortization of the deferred outflows of resources related to pension and loss on debt refunding, and the gain on current refunding of SRB Series 2007A and 2007D by SRB Series 2017A, 2017B, and 2017C.

Liabilities and Deferred Inflows of Resources

Total liabilities of \$16.39 billion represent an increase of \$2.18 billion compared to \$14.21 billion in 2016. Deferred inflows of resources related to pension decreased from \$143.17 million in 2016 to \$17.39 million in 2017.



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, other postemployment benefits (OPEB) obligations, capital lease obligations, and other liabilities.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

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 net pension liability increased from \$6.58 billion in 2016 to \$7.73 billion in 2017. The \$1.15 billion increase is due to the following:

- Increase in the proportionate share of the University;
- Recognition of the service cost, interest on total pension liability, and administrative costs for the measurement period;

These were offset by the following:

- Retirement contributions from the University and its employees;
- Actual pension plan assets earnings; and
- Difference between expected and actual experience.

The University recognized \$704 million of the increase in net pension liability as pension expense in 2017 while \$1.11 billion will be recognized as pension expense over an amortization period in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pension*. The University as the employer contributed \$659.33 million for measurement period ended June 30, 2016 using primarily funds provided by the State through general fund appropriations.

CALIFORNIA STATE UNIVERSITY
 Management's Discussion and Analysis
 June 30, 2017
 (Unaudited)

Long-Term Debt Obligations

The University's capital assets are financed using the State's capital appropriations, SRB, leases, and equity contributions. Bond anticipation notes (BANs) provide short-term financing for capital assets during the construction period. The University's total long-term debt obligations increased by \$979.83 million in 2017. The University's long-term debt obligations are summarized as follows:

	2017	2016
	(In thousands)	
Systemwide revenue bonds	\$ 5,826,473	4,944,168
Bond anticipation notes	600	4,640
Other long-term debt obligations	8,583	6,180
Total	5,835,656	4,954,988
Unamortized net bond premium	605,917	506,760
Total long-term debt obligations	6,441,573	5,461,748
Less current portion	(122,026)	(112,404)
Long-term debt obligations, net of current portion	\$ 6,319,547	5,349,344

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 continuing education program, as well as payments from various auxiliary organizations and special purpose government entities.

In July 2014, the State Legislature passed SB 860, which changed the State's approach to funding nonrevenue generating capital facilities at the University, such as campus infrastructure projects, academic and administrative buildings, and other capital facilities that are essential to the University's operations (collectively referred to as academic facilities). Historically, the State has funded academic facilities with proceeds from issuance of SPWB Lease Revenue Bonds and State General Obligation (GO) Bonds for which, in each case, the State made all debt service payments directly or through appropriations to the University.

SB 860 provided the University with statutory authority to issue bonds to finance academic facilities, as well as providing the University with the ability to pledge additional revenues to support its debt obligations, including but not limited to student tuition fees. The student tuition fees were added to the gross revenues pledged to secure outstanding SRB.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

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 2007A, 2007B, and 2007C, and certain maturities in 2008A 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.

In March 2017, the University issued its SRB Series 2017A (Tax-Exempt), Series 2017B (Taxable), and Series 2017C (Tax-Exempt). The proceeds amounted to \$1.34 billion (including a bond premium of \$127.43 million, net of \$14.14 million bond premium recorded by certain discretely presented component units). The proceeds of the new bonds were used for the following:

- New construction projects
- Redemption of BANs
- Refunding of SRB Series 2007A and 2007D
- Capital interest for future debt service obligations

The above increase in SRB was offset by the refunding of SRB Series 2007A and 2007D, repayment of annual debt service of \$129.03 million, early redemption of a portion of SRB Series 2007A of \$77.19 million, and the current year amortization of net bond premiums of \$27.08 million.

Bond Anticipation Notes

New issuances of BANs amounted to \$200.13 million. Proceeds were used as short-term financing to acquire and construct capital assets. Certain BANs were also redeemed by SRB Series 2017A and 2017B. The redemptions and repayments totaled \$204.17 million.

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 \$2.46 billion in 2016 to \$2.32 billion in 2017. As a result of SB 860, the University's share continues to decrease as bonds are paid by the State with no new debt issued for capital facilities.

Accounts Payable and Accrued Expenses

Accrued expenses for salaries, benefits, and compensated absences increased from \$595.61 million in 2016 to \$638.34 million in 2017. This is primarily due to increase in salary rates and employee headcount.

Accounts payable increased from \$230.50 million in 2016 to \$267.49 million in 2017. The increase of \$36.99 million is due mainly to the increase in the number of capital projects that are currently in progress. These capital projects were primarily funded by SRB. Accounts payable to third-party vendors for capital projects increased by \$13.28 million. The remainder of the increase is due to timing difference in the payments of invoices compared to the prior year.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

Capital Lease Obligations

The University has capital leases for campus facilities including computer, energy efficiency, and telecommunications equipment. The majority of the capital lease obligations are with the SPWB Lease Revenue Bond program for academic campus facilities. Capital lease obligations of the University decreased by \$35.93 million in 2017 due to current year payments of \$44.89 million and amortization of related premiums of \$0.96 million, offset by new capital lease obligations of \$9.92 million.

Other Post-Employment Benefits Obligations

OPEB obligations include the University's estimated funding liability of the State administered and sponsored plan as of the fiscal year end. The State's actuary has employed methods and assumptions considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future amounts may deviate from those estimates.

The State provides retiree healthcare benefits to statewide employees, including the University employees, through programs administered by CalPERS. The responsibility for funding the employer's share of healthcare premium is shared between the State and the University based on the "billable" and "nonbillable" accounts. The University funds the healthcare costs of the billable accounts which have special revenue sources such as fees, licenses, penalties, assessments, and interest. The University is responsible for paying the cost of dental benefits for all the University's retirees using funds provided by the billable accounts and State through general fund appropriation.

OPEB obligations increased from \$368.80 million in 2016 to \$425.89 million in 2017. The net increase is mainly due to the current year annual required contribution of \$95.07 million less current year contributions of \$37.98 million.

Effective in 2018, the OPEB obligations will be measured using the provision of GASB Statement No. 75, *Financial Reporting for Postemployment-Benefit Plans Other Than Pension Plans*. The University will measure, recognize, display and disclose the long-term obligations and annual costs arising from the promise to provide OPEB to retired employees. The impact of the implementation of this new accounting standard has not yet been determined.

Other Liabilities

Other liabilities include unearned revenues, grants refundable, and depository accounts, decreased from \$589.14 million in 2016 to \$531.77 million in 2017.

CALIFORNIA STATE UNIVERSITY

Management's Discussion and Analysis

June 30, 2017

(Unaudited)

Unearned revenues, which represents the advance collections of student tuition and fees for the 2017 Fall enrollment, increased from \$304.03 million in 2016 to \$327.95 million in 2017. The Board of Trustees approved the tuition fee increase of approximately 5% for undergraduate courses effective in 2017 Fall enrollment. This resulted in the increase in the unearned revenues.

The decrease in the grants refundable and depository accounts totaled to \$4.65 million. The Federal Perkins and Nursing Loan Programs are reported as agency transactions. Any cash, investments, and receivable balances that are carried in these programs at the end of the fiscal year are considered to represent a refundable grant liability to the Federal government, as they must be repaid to the government if they are not continually loaned out to students. The Perkins Loan Program Extension Act of 2015 ended the University's authority to make new Perkins Loans to undergraduate students on September 30, 2017.

Deferred Inflows of Resources

Deferred inflows of resources related to certain changes in the net pension liability decreased from \$143.17 million in 2016 to \$17.39 million in 2017. In 2016, the cumulative actual earnings on CalPERS' pension plan investments was higher than the projected earnings resulting to deferred inflows of resources of \$143.17 million. However, this changed in 2017 as the actual earnings were lower than the projected earnings which reduced the deferred inflows of resources by \$143.17 million.

The favorable difference between the expected and actual experience for the State Miscellaneous Plan resulted to \$17.39 million of deferred inflows of resources in fiscal year 2017.

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 decreased from \$41.23 million in 2016 to \$38.45 million in 2017. Net position by category is as follows:

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
 June 30, 2017
 (Unaudited)



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 University uses these capital assets in its day-to-day operations. The net investment in capital assets decreased from \$3.52 billion in 2016 to \$3.44 billion in 2017 as a result of depreciation of capital assets at a faster rate than repayment of the long-term debt obligations.

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,

CALIFORNIA STATE UNIVERSITY
 Management's Discussion and Analysis
 June 30, 2017
 (Unaudited)

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. Generally speaking, the University's foundations, which are discretely presented component units, hold the significant majority of the University-related endowments. The restricted nonexpendable net position decreased from \$8.65 million in 2016 to \$1.75 million in 2017 due to the donor-approved transfer of endowment investments to discretely presented component units.

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 increased from \$119.90 million in 2016 to \$256.81 million in 2017. This is mainly due to increase in investments restricted for capital projects and debt service use. These were primarily proceeds from the issuance of SRB Series 2017A and 2017B for funding new capital projects.

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, as further explained in the following paragraphs.

As of June 30, 2017, the unrestricted net position (in thousands) consists of the following:

Designated resources	\$	1,398,910
Undesignated resources		<u>(5,062,620)</u>
Total unrestricted net position	\$	<u><u>(3,663,710)</u></u>

The designated 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.

The undesignated resources are mainly from the operating fund. However, the undesignated resources is in a deficit position due to the recognition of the University's net pension liability.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

Discretely Presented Component Units' Financial Position

In 2017, the discretely presented component units managed \$4.39 billion, representing 23.08% of the University's \$19 billion combined total assets. In 2016, \$4.07 billion of assets were managed by the discretely presented component units, representing 23.21% 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 \$1.52 billion in 2016 to \$1.73 billion in 2017. This represents 9.12% and 8.64% of the combined total assets for 2017 and 2016, respectively.

The claims liability for losses and loss adjustment expenses decreased from of \$82.12 million in 2016 to \$74.57 million in 2017. 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 \$2.18 billion, representing 89.38% of the combined restricted net position in 2017. In 2016, the restricted net position of discretely presented component units was \$1.95 billion, representing 93.82% of the combined restricted net position.

The combined University and discretely presented component units' net position was \$3.12 billion in 2017 and \$2.79 billion in 2016.

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 is as follows:

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

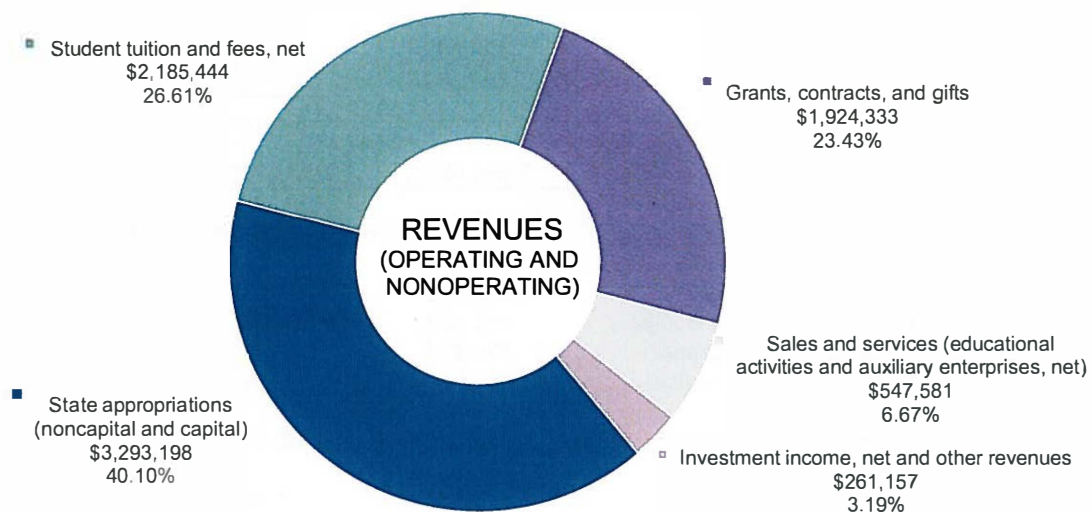
	<u>University</u>		<u>Discretely presented component units</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(In thousands)			
Operating revenues:				
Student tuition and fees, net	\$ 2,185,444	2,204,940	193,227	194,337
Grants and contracts, noncapital	71,277	73,161	526,196	514,867
Sales and services of educational activities	48,198	48,869	49,997	41,907
Sales and services of auxiliary enterprises, net	499,383	485,090	526,139	500,000
Other operating revenues	208,480	200,497	284,413	243,049
Total operating revenues	<u>3,012,782</u>	<u>3,012,557</u>	<u>1,579,972</u>	<u>1,494,160</u>
Operating expenses	<u>7,986,652</u>	<u>7,328,256</u>	<u>1,723,859</u>	<u>1,621,855</u>
Operating loss	<u>(4,973,870)</u>	<u>(4,315,699)</u>	<u>(143,887)</u>	<u>(127,695)</u>
Nonoperating revenues (expenses):				
State appropriations, noncapital	3,258,252	3,007,533	—	—
Federal financial aid grants, noncapital	992,007	994,954	1,630	1,221
State financial aid grants, noncapital	720,865	668,871	1,077	908
Local financial aid grants, noncapital	—	—	155	104
Nongovernmental and other financial aid grants, noncapital	38,391	35,826	977	300
Other federal nonoperating grants, noncapital	3,887	4,304	—	1,043
Gifts, noncapital	54,526	68,010	197,152	190,390
Investment income, net	52,662	65,962	91,231	3,298
Endowment income, net	15	58	121,341	(24,785)
Interest expense	(204,095)	(229,573)	(19,001)	(23,694)
Other nonoperating expenses, net	(23,739)	(168,114)	(24,262)	(32,380)
Net nonoperating revenues	<u>4,892,771</u>	<u>4,447,831</u>	<u>370,300</u>	<u>116,405</u>
Income (loss) before other revenues and (expenses)	(81,099)	132,132	226,413	(11,290)
State appropriations, capital	34,946	25,757	—	—
Grants and gifts, capital	50,256	61,007	11,372	28,540
Additions (reductions) to permanent endowments	<u>(6,876)</u>	<u>(1,951)</u>	<u>90,897</u>	<u>79,749</u>
Change in net position	(2,773)	216,945	328,682	96,999
Net position – beginning of year	<u>41,225</u>	<u>(175,720)</u>	<u>2,751,811</u>	<u>2,654,812</u>
Net position – end of year	<u>\$ 38,452</u>	<u>41,225</u>	<u>3,080,493</u>	<u>2,751,811</u>

CALIFORNIA STATE UNIVERSITY
 Management's Discussion and Analysis
 June 30, 2017
 (Unaudited)

Revenues (Operating and Nonoperating)

The University's two largest sources of revenues are state appropriations and student tuition and fees, net, which accounted for a combined 66.72% and 65.95% of total revenues in 2017 and 2016, respectively. State appropriations are received for both noncapital and capital purposes.

Revenues (Operating and Nonoperating)
 June 30, 2017
 (In thousands)



CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

	<u>2017</u> (In thousands)	<u>Percentage of total</u>	<u>2016</u> (In thousands)	<u>Percentage of total</u>
State appropriations (noncapital and capital)	\$ 3,293,198	40.10 %	\$ 3,033,290	38.19 %
Student tuition and fees, net	2,185,444	26.61	2,204,940	27.76
Grants, contracts, and gifts	1,924,333	23.43	1,904,182	23.97
Sales and services (educational activities and auxiliary enterprises), net	547,581	6.67	533,959	6.72
Investment income, net and other revenues	<u>261,157</u>	<u>3.19</u>	<u>266,517</u>	<u>3.36</u>
Total revenues (operating and nonoperating)	<u>\$ 8,211,713</u>	<u>100.00 %</u>	<u>\$ 7,942,888</u>	<u>100.00 %</u>

State Appropriations (Noncapital and Capital)

The state noncapital appropriations increased from \$3.01 billion in 2016 to \$3.26 billion in 2017. The \$250.72 million increase consists of the following:

- \$69.55 million to pay employee compensation increases
- \$43.83 million for retirement costs adjustments
- \$35.08 million for employer-paid healthcare premiums
- \$35 million to fund the Graduation Initiative 2025
- \$30.17 million to fund student enrollment growth
- \$27.21 million to fund the Student Success and Completion Program
- \$7.87 million to pay SPWB capital lease obligation debt service
- \$2.01 million for other items

The state capital appropriations increased from \$25.76 million in 2016 to \$34.95 million in 2017. The current year appropriation includes \$35 million funding for deferred maintenance projects.

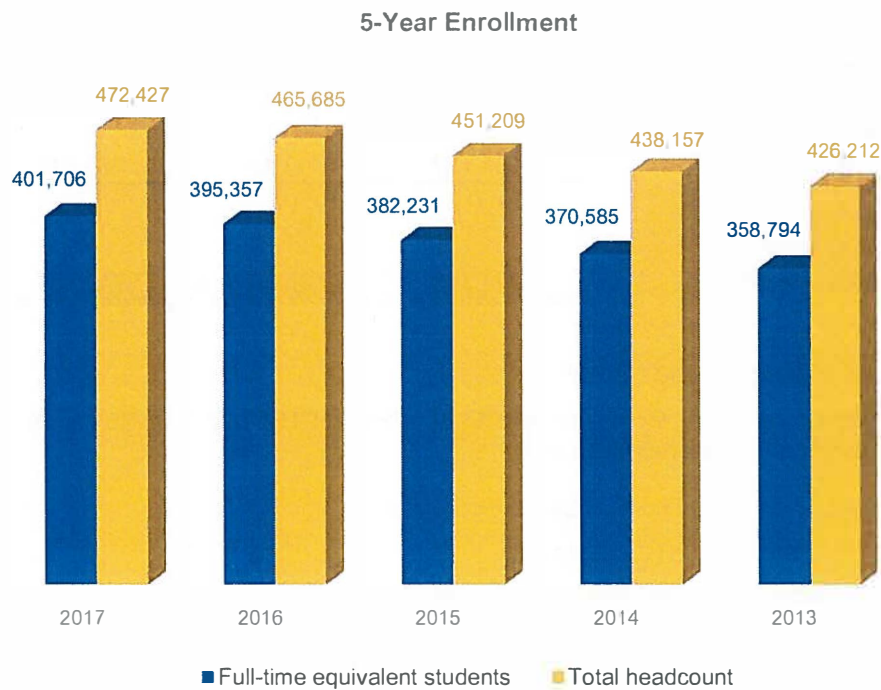
Student Tuition and Fees, Net

Gross student tuition and fees increased from \$3.68 billion in 2016 to \$3.74 billion in 2017. The increase is due mainly to student enrollment growth. Headcount enrollment grew by 1.45% from 465,685 in 2016 to 472,427 in 2017, as reflected in the following chart. As a result, Full-Time Equivalent Students grew by 1.61% from 395,357 in 2016 to 401,706 in 2017.

CALIFORNIA STATE UNIVERSITY
 Management's Discussion and Analysis
 June 30, 2017
 (Unaudited)

For the sixth consecutive year, the 2016-2017 systemwide undergraduate and graduate tuition rates remained unchanged. In March 2017, the Trustees approved an increase in tuition and fees for the academic year 2017-2018. The increase will depend on the student level and degree or certificate program. Revenue from the tuition and fees increase will be used for purposes of student achievement and success, as outlined in the University's Graduation Initiative 2025.

The following chart displays the University's historical enrollment data by fiscal year:



The increase in gross student tuition and fees was offset by an increase in scholarship allowances. The net student and tuition fees decreased by \$19.50 million.

Scholarship allowances, mainly financial aid, are the difference between the tuition and fees and the amount paid by the student and third parties on behalf of the student and are reported as an offset to the gross student tuition and fees. This includes State University Grant (SUG), which is a needs-based awards administered by the University for eligible students. The University's support budget for fiscal year 2018 includes an increase in SUG to reduce the impact of the approved tuition increase. Scholarship allowances of \$1.55 billion and \$1.48 billion in 2017 and 2016, respectively, were netted against student tuition and fees. The increase is a combination of the effect of increases in eligible students and allowable aid per student.

CALIFORNIA STATE UNIVERSITY
 Management's Discussion and Analysis
 June 30, 2017
 (Unaudited)

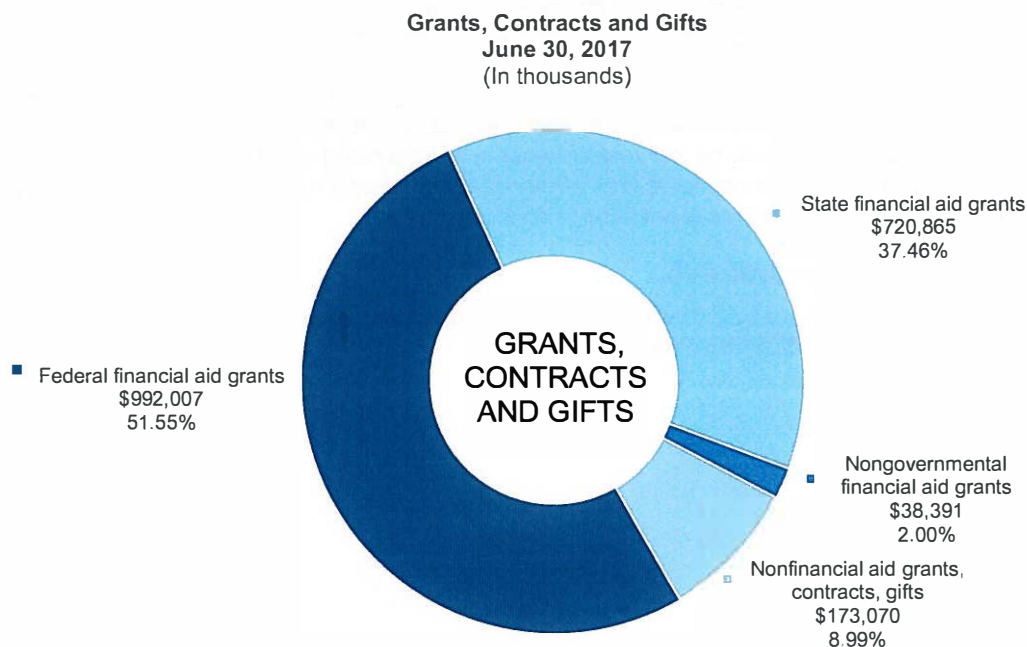
Sales and Services (Educational Activities and Auxiliary Enterprise)

Sales and services of educational activities include (1) revenues related incidentally to the conduct of instruction, research, and public service, and (2) 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 \$48.20 million, a slight decrease from \$48.87 million in 2016.

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 \$499.38 million, which is a \$14.29 million increase when compared to 2016. The increase is due mainly to new student housing facilities which operated for the first time in 2017 and increases in housing occupancy, space rentals, and parking permits issued to students, faculty, and employees.

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 Teacher Education Assistance. Major state financial aid grants came from Cal Grants and Middle Class Scholarship.



CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis

June 30, 2017

(Unaudited)

Student financial aid grants of \$1.75 billion represents 91.01% of the University's total grants, contracts, and gifts revenues of \$1.92 billion for 2017. Federal and state agencies contributed \$1.71 billion representing 97.81% of the University's total student financial aid grants in 2017 and \$1.66 billion representing 97.89% in 2016. State financial aid grants increased by \$51.99 million as there are more eligible students and higher aid per student. Federal student financial aid grants slightly decreased by \$2.95 million, offset by an increase in nongovernmental student financial aid grants of \$2.57 million.

The remainder of the grants, contracts and gifts include nonfinancial aid grants, contracts, changes to permanent endowments, and gifts (capital and noncapital), which amounted to \$173.07 million, or 8.99%, of total grants, contracts, and gifts. It decreased by \$31.46 million due mainly to decline in nonfinancial aid grants, gifts (capital and noncapital), and reductions in endowment investments. This is primarily due to one-time grants and gifts from third parties received in 2016. Further, gifts received from discretely presented component units amounted to \$79.70 million, which is \$5.50 million lower compared to 2016. The University transferred endowment investments of \$4.93 million more than the prior year to its discretely presented component units.

Investment Income, Net and Other Revenues

Other operating revenues for the fiscal year of \$208.48 million is an increase of \$7.98 million compared to the prior year. The increase is mainly due to certain revenues from student organizations being recognized by the University (some student organizations' revenues are recorded by discretely presented component units) starting in 2017. Additionally, there was also an increase in revenues from cost recoveries from discretely presented component units and from special noncapital related projects.

Investment income for the fiscal year is \$52.66 million, which is \$13.30 million lower when compared to the prior year. This includes the return on investments from the CSU Consolidated Investment Pool and SMIF investments, realized gains or losses on the sale of securities, unrealized gains or losses in the fair value of securities, investment income from capital leases receivable, and capital related loans with discretely presented component units, and is offset by investment service charges.

Expenses (Operating and Nonoperating)

The University's total expenses of \$8.21 billion comprises of operating expenses of \$7.99 billion, or 97.22%, and nonoperating expenses of \$227.83 million, or 2.78%.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

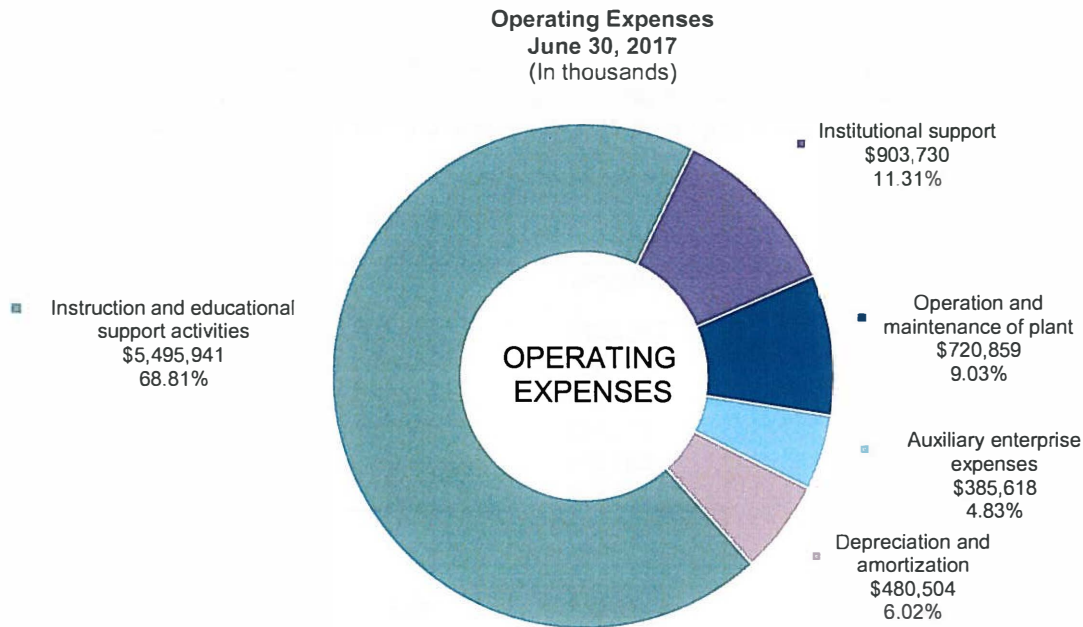
Operating Expenses

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 68.81% of the total operating expenses of the University, as shown below:

	<u>2017</u>	<u>Percentage of total</u>	<u>2016</u>	<u>Percentage of total</u>
	(In thousands)		(In thousands)	
Instruction	\$ 2,853,923	35.73%	2,503,564	34.16%
Research	54,468	0.68	51,691	0.71
Public service	47,013	0.59	57,376	0.78
Academic support	810,610	10.15	762,920	10.41
Student services	885,908	11.09	812,010	11.08
Student grants and scholarships	<u>844,019</u>	<u>10.57</u>	<u>881,578</u>	<u>12.03</u>
Total instruction and educational support activities	5,495,941	68.81	5,069,139	69.17
Institutional support	903,730	11.31	795,550	10.86
Operation and maintenance of plant	720,859	9.03	648,618	8.85
Auxiliary enterprise expenses	385,618	4.83	357,030	4.87
Depreciation and amortization	<u>480,504</u>	<u>6.02</u>	<u>457,919</u>	<u>6.25</u>
Total operating expenses	<u>\$ 7,986,652</u>	<u>100.00%</u>	<u>7,328,256</u>	<u>100.00%</u>

The operating expenses increased by \$658.40 million in 2017. This is primarily due to the increase in salaries of \$231.05 million, and benefits of \$358.73 million. The increase in benefits is mainly related to pension expense.

CALIFORNIA STATE UNIVERSITY
 Management's Discussion and Analysis
 June 30, 2017
 (Unaudited)



Salaries

The University's salaries increased from \$3.14 billion in 2016 to \$3.37 billion in 2017. The increase of \$231.05 million is mainly comprises of \$202.42 million, or 87.61%, for instruction and educational support; \$13.92 million, or 6.02%, for institutional support; \$9.83 million, or 4.25%, for operation and maintenance of plant; and \$4.88 million, or 2.11%, for auxiliary enterprise.

The combination of increases in salary rates and employee headcount contributed to the increase in salary expenses.

Benefits

The University's benefits increased from \$1.44 billion in 2016 to \$1.79 billion in 2017. The increase of \$358.73 million is mainly comprised of \$244.27 million, or 68.09%, for instruction and educational support; \$80.60 million, or 22.47%, for institutional support; \$30.19 million, or 8.42%, for operation and maintenance of plant; and \$3.67 million, or 1.02%, for auxiliary enterprise.

The employer-paid healthcare premiums increased effective January 2016. The full year impact of the increase in healthcare benefits expenses and a higher employee headcount in 2017 contributed to the increase in benefits expenses. The combination of increases in benefits rates and employee headcount, contributed to the increase in benefits expenses.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

The pension expense increased from \$571.95 million in 2016 to \$872.60 million in 2017. The increase is due to higher service costs and interest on the total pension liability, and higher amortization expense of deferred outflows/inflows of resources. The deferred outflows and inflows of resources are recognized as pension expense over an amortization period in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pension*.

Scholarship and Fellowships

The University's scholarship and fellowships expenses decreased from \$881.58 million in 2016 to \$844.02 million in 2017. The decrease of \$37.56 million is mainly due to more scholarships applied against tuition and fees reducing the amounts paid out to students as scholarship expense.

Supplies and Services

The University's supplies and services increased from \$1.41 billion in 2016 to \$1.49 billion in 2017. The increase of \$83.59 million is mainly comprised of \$17.66 million, or 21.13%, for instruction and educational support; \$13.67 million, or 16.35%, for institutional support; \$32.22 million, or 38.54%, for operation and maintenance of plant; and \$20.04 million, or 23.97%, for auxiliary enterprise.

New borrowings to fund capital and special projects, including deferred maintenance projects, contributed to the increase in supplies and services in the operation and maintenance of plant functional category.

Depreciation and Amortization

The depreciation and amortization expense increased from \$457.92 million in 2016 to \$480.50 million in 2017. The increase of \$22.58 million was due to the completion of construction projects for building, building improvements, improvements other than building, and infrastructure.

Other Nonoperating Expenses, Net

The University's other nonoperating expenses, net decreased from \$168.11 million in 2016 to \$23.74 million in 2017. The other non-operating expenses decreased due to the gains resulting from the restructuring of the agreements with SPWB.

Discretely Presented Component Units' Results of Operations

The discretely presented component units managed \$2.10 billion of revenues, representing 20.33% of the University's \$10.31 billion combined total operating revenues. This is higher compared to the 18.26% in prior year due to increase in endowment income of \$146.13 million. The discretely presented component units can invest in a wider range of securities than the University.

The discretely presented component units managed \$738.56 million grants contracts, and gifts revenues, representing 27.31% of the \$2.70 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.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

Factors Impacting Future Periods

University Support Budget Plan for fiscal year 2017–2018

The University's \$6.40 billion total budget is funded primarily from two sources: \$3.39 billion from State general fund appropriations and \$3.01 billion of net tuition and fee revenues. The fiscal year 2017–2018 budget includes an augmentation of \$314.01 million for the following:

- \$141.10 million for employee compensation
- \$75 million for the Graduation Initiative 2025
- \$39.56 million for State University Grants
- \$20.68 million for mandatory cost increases (e.g., health and dental benefits, retirement, new facilities, and Federal and State mandates)
- \$26.48 million increase in funded enrollment
- \$5.07 million for SPWB capital lease obligation debt service
- \$3.34 million for healthcare and dental premiums
- \$2.78 million for other items

Graduation Initiative 2025

The University's support budget for fiscal year 2017–2018 includes \$75 million for Graduation Initiative 2025. These resources will allow campuses to prioritize the investments they make to improve time to complete a degree, eliminate student achievement gaps, and ensure every student has access to the tools, resources, and guidance needed to achieve goals. The University aims to graduate more than one million students with baccalaureate degrees between 2015 and 2025. Below are the five priority areas for Graduation Initiative 2025:

- **Tenure-Track Faculty Hiring:** Campuses will continue to prioritize the hiring of tenure-track faculty and to improve the ratio of tenure and tenure-track faculty to lecturers, as well as improve student/faculty ratios. These funds will enable campuses to hire more tenured and tenure-track faculty systemwide. This increase will provide opportunities to offer more sections of high-demand courses.
- **Improved Course Taking Opportunities:** Campuses will develop infrastructure to accurately predict student demand for course sections, will organize the schedule of classes to prioritize the delivery of courses required for degree completion and will strategically allocate campus resources to align with demand throughout the college year.
- **Enhanced Advising and Education Plans:** Through the hiring of more professional staff advisors and investing in the use of technology to provide clear and accurate education plans, the University has prioritized these critical components of academic and student success. These will improve opportunities for students to focus on specific academic and career goals, improving both student services and institutional efficiency.
- **Academic and Student Support:** By identifying and supporting academic and student services and programs, which have systemic, campus-wide impact, campuses will scale-up a range of successful strategies to improve retention and completion.

CALIFORNIA STATE UNIVERSITY
Management's Discussion and Analysis
June 30, 2017
(Unaudited)

- **Actively Leveraging Data:** Campuses will continue investment in improving student information systems and the use of available data to facilitate more strategic and intentional campus decision making.

Subsequent Events

BANs Issuance

The University issued \$48.2 million of BANs subsequent to June 30, 2017. \$21.97 million of these BANs were issued to finance the San Diego State University Tula/Tenochca Replacement Project and \$26.23 million were issued to finance the California Polytechnic State University, San Luis Obispo – Cal Poly Corporation Vista Grande Replacement Building Project.

CALIFORNIA STATE UNIVERSITY

Statement of Net Position

June 30, 2017

(In thousands)

Assets	University	Discretely presented component units	Total
Current assets:			
Cash and cash equivalents	\$ 9,024	252,580	261,604
Short-term investments	3,321,256	689,838	4,011,094
Accounts receivable, net	169,409	202,330	371,739
Capital lease receivable, current portion	11,055	1,683	12,738
Notes receivable, current portion	10,727	2,513	13,240
Pledges receivable, net	2,240	66,327	68,567
Prepaid expenses and other current assets	55,971	34,936	90,907
Total current assets	<u>3,579,682</u>	<u>1,250,207</u>	<u>4,829,889</u>
Noncurrent assets:			
Restricted cash and cash equivalents	745	34,934	35,679
Accounts receivable, net	124,992	18,724	143,716
Capital lease receivable, net of current portion	241,333	63,168	304,501
Notes receivable, net of current portion	331,014	21,558	352,572
Student loans receivable, net	77,243	963	78,206
Pledges receivable, net	240	127,804	128,044
Endowment investments	1,746	1,504,146	1,505,892
Other long-term investments	1,668,660	500,898	2,169,558
Capital assets, net	8,569,643	826,412	9,396,055
Other assets	23,627	36,763	60,390
Total noncurrent assets	<u>11,039,243</u>	<u>3,135,370</u>	<u>14,174,613</u>
Total assets	<u>14,618,925</u>	<u>4,385,577</u>	<u>19,004,502</u>
Deferred Outflows of Resources			
Deferred outflows of resources	<u>1,829,367</u>	<u>29,972</u>	<u>1,859,339</u>
Liabilities			
Current liabilities:			
Accounts payable	267,491	94,529	362,020
Accrued salaries and benefits	376,708	27,019	403,727
Accrued compensated absences, current portion	140,963	14,911	155,874
Unearned revenues	317,108	80,944	398,052
Capital lease obligations, current portion	43,737	11,177	54,914
Long-term debt obligations, current portion	122,026	13,501	135,527
Claims liability for losses and loss adjustment expenses, current portion	—	22,031	22,031
Depository accounts	10,763	12,427	23,190
Other liabilities	106,327	63,919	170,246
Total current liabilities	<u>1,385,123</u>	<u>340,458</u>	<u>1,725,581</u>
Noncurrent liabilities:			
Accrued compensated absences, net of current portion	120,673	5,302	125,975
Unearned revenues	10,840	9,537	20,377
Grants refundable	78,470	2,716	81,186
Capital lease obligations, net of current portion	309,716	261,990	571,706
Long-term debt obligations, net of current portion	6,319,547	400,343	6,719,890
Claims liability for losses and loss adjustment expenses, net of current portion	—	52,543	52,543
Depository accounts	3,065	20,489	23,554
Other postemployment benefits obligations	425,888	103,433	529,321
Net pension liability	7,733,925	73,658	7,807,583
Other liabilities	5,199	51,529	56,728
Total noncurrent liabilities	<u>15,007,323</u>	<u>981,540</u>	<u>15,988,863</u>
Total liabilities	<u>16,392,446</u>	<u>1,321,998</u>	<u>17,714,444</u>
Deferred Inflows of Resources			
Deferred inflows of resources	<u>17,394</u>	<u>13,058</u>	<u>30,452</u>

CALIFORNIA STATE UNIVERSITY

Statement of Net Position

June 30, 2017

(In thousands)

Net Position	University	Discretely presented component units	Total
Net position:			
Net investment in capital assets	\$ 3,443,607	264,544	3,708,151
Restricted for:			
Nonexpendable – endowments	1,746	1,174,814	1,176,560
Expendable:			
Scholarships and fellowships	17,178	254,130	271,308
Research	116	19,747	19,863
Loans	16,738	2,037	18,775
Capital projects	136,154	88,595	224,749
Debt service	67,956	3,096	71,052
Others	18,667	634,032	652,699
Unrestricted	<u>(3,663,710)</u>	<u>639,498</u>	<u>(3,024,212)</u>
Total net position	<u>\$ 38,452</u>	<u>3,080,493</u>	<u>3,118,945</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2017
(In thousands)

	<u>University</u>	<u>Discretely presented component units</u>	<u>Eliminations</u>	<u>Total</u>
Revenues:				
Operating revenues:				
Student tuition and fees (net of University scholarship allowances of \$1,552,684)	\$ 2,185,444	193,227	(15,583)	2,363,088
Grants and contracts, noncapital:				
Federal	39,824	356,310	(286)	395,848
State	15,357	87,896	—	103,253
Local	3,872	14,502	—	18,374
Nongovernmental	12,224	67,488	(2,440)	77,272
Sales and services of educational activities	48,198	49,997	(3,257)	94,938
Sales and services of auxiliary enterprises (net of University scholarship allowances of \$97,899)	499,383	526,139	(132)	1,025,390
Other operating revenues	208,480	284,413	(1,486)	491,407
Total operating revenues	<u>3,012,782</u>	<u>1,579,972</u>	<u>(23,184)</u>	<u>4,569,570</u>
Expenses:				
Operating expenses:				
Instruction	2,853,923	175,371	(1,811)	3,027,483
Research	54,468	208,600	(56)	263,012
Public service	47,013	173,107	(3,144)	216,976
Academic support	810,610	73,049	(3,438)	880,221
Student services	885,908	200,707	(10,098)	1,076,517
Institutional support	903,730	240,905	(31,203)	1,113,432
Operation and maintenance of plant	720,859	38,600	(758)	758,701
Student grants and scholarships	844,019	64,420	(35,771)	872,668
Auxiliary enterprise expenses	385,618	496,098	(20,477)	861,239
Depreciation and amortization	480,504	53,002	—	533,506
Total operating expenses	<u>7,986,652</u>	<u>1,723,859</u>	<u>(106,756)</u>	<u>9,603,755</u>
Operating loss	<u>(4,973,870)</u>	<u>(143,887)</u>	<u>83,572</u>	<u>(5,034,185)</u>
Nonoperating revenues (expenses):				
State appropriations, noncapital	3,258,252	—	—	3,258,252
Federal financial aid grants, noncapital	992,007	1,630	(30)	993,607
State financial aid grants, noncapital	720,865	1,077	—	721,942
Local financial aid grants, noncapital	—	155	—	155
Nongovernmental and other financial aid grants, noncapital	38,391	977	(20,878)	18,490
Other federal nonoperating grants, noncapital	3,887	—	—	3,887
Gifts, noncapital	54,526	197,152	(50,473)	201,205
Investment income, net	52,662	91,231	—	143,893
Endowment income	15	121,341	—	121,356
Interest expense	(204,095)	(19,001)	—	(223,096)
Other nonoperating expenses	(23,739)	(24,262)	17,037	(30,964)
Net nonoperating revenues	<u>4,892,771</u>	<u>370,300</u>	<u>(54,344)</u>	<u>5,208,727</u>
Income (loss) before other revenues (expenses)	(81,099)	226,413	29,228	174,542
State appropriations, capital	34,946	—	—	34,946
Grants and gifts, capital	50,256	11,372	(29,228)	32,400
Additions (reductions) to permanent endowments	(6,876)	90,897	—	84,021
Increase (decrease) in net position	(2,773)	328,682	—	325,909
Net position:				
Net position at beginning of year	41,225	2,751,811	—	2,793,036
Net position at end of year	<u>\$ 38,452</u>	<u>3,080,493</u>	<u>—</u>	<u>3,118,945</u>

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2017

(In thousands)

	<u>University</u>
Cash flows from operating activities:	
Student tuition and fees	\$ 2,191,142
Federal grants and contracts	36,719
State grants and contracts	17,739
Local grants and contracts	3,333
Nongovernmental grants and contracts	11,017
Payments to suppliers	(1,476,689)
Payments to employees	(4,951,735)
Payments to students	(847,354)
Collections of student loans	3,497
Sales and services of educational activities	49,280
Sales and services of auxiliary enterprises	501,095
Other receipts	206,440
	<hr/>
Net cash used in operating activities	(4,255,516)
Cash flows from noncapital financing activities:	
State appropriations	3,258,422
Federal financial aid grants	992,376
State financial aid grants	721,545
Nongovernmental and other financial aid grants	38,431
Other federal nonoperating grants	4,010
Gifts and grants received for other than capital purposes	55,399
Federal loan program receipts	1,515,654
Federal loan program disbursements	(1,516,494)
Monies received on behalf of others	152,285
Monies disbursed on behalf of others	(152,646)
Transfers to escrow agent	(43,973)
Proceeds from long-term debt	64,457
Principal paid on long-term debt	(15,191)
Interest paid on long-term debt	(19,561)
Issuance of notes receivable	(60,140)
Issuance of capital leases receivable	(34,890)
Principal collections on capital leases	123,166
Interest collections on capital leases	15,379
Principal collections on notes receivable	10,710
Interest collections on notes receivable	13,701
Other noncapital financing activities	(100,760)
	<hr/>
Net cash provided by noncapital financing activities	5,021,880
Cash flows from capital and related financing activities:	
Proceeds from capital debt	1,403,131
State appropriations	16,670
State appropriations – SPWB Lease Revenue Bond program	24,681
Capital grants and gifts	35,696
Proceeds from sale of capital assets	2,064
Acquisition of capital assets	(680,915)
Transfers to escrow agent	(86,874)
Principal paid on capital debt and leases	(353,068)
Interest paid on capital debt and leases	(244,012)
Principal collection on capital leases	727
Interest collection on capital leases	1,030
	<hr/>
Net cash provided by capital and related financing activities	119,130

CALIFORNIA STATE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2017

(In thousands)

	<u>University</u>
Cash flows from investing activities:	
Proceeds from sales of investments	\$ 8,965,189
Purchases of investments	(9,904,594)
Investment income proceeds	54,492
Net cash used in investing activities	<u>(884,913)</u>
Net increase in cash and cash equivalents	581
Cash and cash equivalents at beginning of year	<u>9,188</u>
Cash and cash equivalents at end of year	<u>\$ 9,769</u>
Summary of cash and cash equivalents at end of year:	
Cash and cash equivalents	\$ 9,024
Restricted cash and cash equivalents	<u>745</u>
Total cash and cash equivalents at end of year	<u>\$ 9,769</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (4,973,870)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	480,504
Change in assets and liabilities:	
Accounts receivable, net	(18,564)
Student loans receivable, net	(1,245)
Prepaid expenses and other current assets	(3,123)
Other assets	(4,152)
Deferred outflows of resources	(914,528)
Accounts payable	23,082
Accrued salaries and benefits	24,465
Accrued compensated absences	18,241
Unearned revenues	24,373
Depository accounts	62
Other postemployment benefits obligations	57,085
Net pension liability	1,155,731
Other liabilities	2,196
Deferred inflows of resources	<u>(125,773)</u>
Net cash used in operating activities	<u>\$ (4,255,516)</u>
Supplemental schedule of noncash transactions:	
Revenues resulting from restructuring agreement with SPWB	87,270
BAN proceeds paid directly to escrow agent by bank	68,915
Amortization of net bond premium	28,040
Decrease in SPWB construction reserve funds held by State	14,902
Contributed capital assets	14,801
Change in accrued capital asset purchases	13,284
Acquisition of capital assets through capital lease	9,092
Amortization of loss on debt refundings	6,114
Gifts in kind	1,683

See accompanying notes to financial statements.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(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, 2017:

- 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, 2017

(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 90 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, food service entities, bookstores, and similar organizations. Foundations, whose net position comprises approximately 78.54% 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 recognized discretely presented component units are as follows:

- California State University, Bakersfield, Foundation
- Associated Students, California State University, Bakersfield, Inc.
- California State University, Bakersfield Student Union
- California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
- California State University Institute
- California State University Foundation
- California State University Risk Management Authority
- California State University, Channel Islands Foundation
- Associated Students of California State University, Channel Islands, Inc.
- California State University Channel Islands Financing Authority
- California State University Channel Islands Site Authority

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

- CI University Auxiliary Services, Inc. (formerly California State University Channel Islands University Glen Corporation)
- The CSU, Chico Research Foundation
- The University Foundation, California State University, Chico
- Associated Students of California State University, Chico
- California State University Dominguez Hills 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
- California State University Dominguez Hills Philanthropic Foundation
- California State University, East Bay Foundation, Inc.
- Associated Students, Inc. of California State University, East Bay
- Cal State East Bay Educational Foundation, Inc.
- California State University, Fresno Foundation
- Associated Students, Inc. of California State University, Fresno
- California State University, Fresno Association, Inc.
- The Agricultural Foundation of California State University, Fresno
- California State University, Fresno Athletic Corporation
- The Bulldog Foundation (Fresno)
- Fresno State Programs for Children, Inc.
- Cal State Fullerton Philanthropic Foundation
- Associated Students, California State University, Fullerton, Inc. (including Titan Student Centers)
- CSU Fullerton Auxiliary Services Corporation
- Humboldt State University Sponsored Programs Foundation
- Associated Students of Humboldt State University
- Humboldt State University Center board of directors
- Humboldt State University Advancement Foundation
- California State University, Long Beach Research Foundation
- CSULB 49er Foundation
- Associated Students, Inc., California State University, Long Beach
- Forty-Niner Shops, Inc. (Long Beach)
- Cal State L.A. University Auxiliary Services, Inc.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

- California State University, Los Angeles Foundation
- Associated Students of California State University, Los Angeles, Inc.
- University – Student Union at California State University, Los Angeles
- California Maritime Academy Foundation, Inc.
- Associated Students of the California Maritime Academy
- University Corporation at Monterey Bay
- Foundation of California State University, Monterey Bay
- California State University, Northridge Foundation
- Associated Students, Inc., California State University, Northridge
- University Student Union, California State University, Northridge
- North Campus – University Park Development Corporation (Northridge)
- The University Corporation (Northridge)
- Cal Poly Pomona Foundation, Inc.
- Associated Students, Inc., California State Polytechnic University, Pomona
- The University Foundation at Sacramento State
- University Enterprises, Inc. (Sacramento)
- Associated Students of California State University, Sacramento
- University Union Operation of California State University, Sacramento
- Capital Public Radio, Inc. (Sacramento)
- Santos Manuel Student Union of California State University, San Bernardino
- Associated Students, Incorporated, California State University, San Bernardino
- CSUSB Philanthropic Foundation
- 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)
- The University Corporation, San Francisco State
- Associated Students of San Francisco State University
- San Francisco State University Foundation
- Associated Students of San Jose State University

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

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

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 have been eliminated.

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.

(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

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

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 June 2015, the GASB issued statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the University's fiscal year beginning July 1, 2017. This Statement establishes how government employers should measure, recognize, display, and disclose the long-term obligations and annual costs arising from their promises to provide other postemployment benefits (OPEB) to their retired employees. The University has not yet determined the impact of GASB Statement No. 75 on the University's financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split Interest Agreements*, effective for the University's fiscal year beginning July 1, 2017. This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The University has not yet determined the impact of GASB Statement No. 81 on the University's financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the University's fiscal year beginning July 1, 2016. This Statement addresses issues regarding (1) the presentation of payroll related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. For disclosures on pension plan and liabilities, refer to note 12(a).

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the University's fiscal year beginning July 1, 2018. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. The University has not yet determined the impact of GASB Statement No. 83 on the University's financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the University's fiscal year beginning July 1, 2018. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The University has not yet determined the impact of GASB Statement No. 84 on the University's financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, effective for the University's fiscal year beginning July 1, 2017. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The University has not yet determined the impact of GASB Statement No. 85 on the University's financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the University's fiscal year beginning July 1, 2017. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The University has not yet determined the impact of GASB Statement No. 86 on the University's financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2019. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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 has not yet determined the impact of GASB Statement No. 87 on the University's financial statements.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(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 net investment income.

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 type of receivables and expectations of repayment. In establishing the required allowance, management considers one or more of the following: type 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

June 30, 2017

(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 \$5,000 or more and with a useful life of one year or more, 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 continuing education programs.

(j) Compensated Absences

Compensated absences are recognized when the right to receive the compensation is earned by the employees. Vacation is accrued on a monthly basis. The University uses an employee's current pay rate as of July 1, 2017 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. 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.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(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, 2017. The liability includes the estimated amount that will be required for future payments of claims that 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.

(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.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

- **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.

- **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.

(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) Other Postemployment Benefits Obligations

The University's OPEB obligations included in the accompanying financial statements reflects the University's estimated funding liability of the State administered and sponsored plan as of the fiscal year end. The State's actuary has employed methods and assumptions considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future amounts may deviate from those estimates.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(q) Net Pension Liability

The University records a pension liability equal to the net pension liability for its cost sharing defined-benefit plans with the State's Miscellaneous Plan and 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 expense, 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. 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 their external customers. These include activities such as copy centers, postal services, and telecommunications. All internal service activities 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 pursuant to Internal Revenue Code (IRC) §115. The component units are either governmental entities exempt pursuant to IRC §115 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.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(u) Eliminations

All significant nonexchange transactions between the University and the 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.

(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.

(3) Cash, Cash Equivalents, and Investments

The University's cash, cash equivalents, and investments as of June 30, 2017 are classified in the accompanying Statement of Net Position as follows:

Cash and cash equivalents	\$ 9,024
Restricted cash and cash equivalents	<u>745</u>
Total cash and cash equivalents	<u>9,769</u>
Short-term investments	3,321,256
Endowment investments	1,746
Other long-term investments	<u>1,668,660</u>
Total investments	<u>4,991,662</u>
Total cash, cash equivalents, and investments	<u><u>\$ 5,001,431</u></u>

(a) Cash and Cash Equivalents

At June 30, 2017, cash and cash equivalents consist of demand deposits held at the State Treasury, commercial banks, and petty cash. Total cash and cash equivalents of \$9,769 had a corresponding carrying balance with the State Treasury and commercial banks of \$9,878 at June 30, 2017. 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

June 30, 2017

(In thousands)

(b) Investments

At June 30, 2017, 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 must be invested. The primary objective of the University's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the University. The third objective is to return an acceptable yield.

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 Section 89724, 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 and fixed-income securities, and certain other investment instruments.

In September 2016, the State's legislature passed Senate Bill (SB) 1412, which allows the University to invest in mutual funds including equity mutual funds, subject to registration by, and under the regulatory authority of the United States Securities and Exchange Commission, or in United States registered real estate investment trusts, effective January 1, 2017. Prior to SB 1412, the University was restricted to investing in fixed-income securities.

Under SB 1412, the University is required to create an investment advisory committee reporting to the Board of Trustees. The total amount invested under the new investment authority shall not exceed \$200 million in fiscal year 2017, \$400 million in fiscal year 2018, \$600 million in fiscal year 2019, and 30% of total investment in fiscal year 2020 and thereafter.

All earnings from investment under the new authority shall be used only for capital outlay or maintenance, and shall not be used for ongoing operations.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(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 manage its interest rate risk by limiting an eligible investment to maximum effective maturity and by limiting the average duration of the portfolio. 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, 2017 are presented in the following table:

Investment type	Fair value	Duration
Money market funds	\$ 19,694	—
Repurchase agreements	10,391	0.00813
Certificates of deposit	156,581	0.28861
U.S. agency securities	1,332,652	1.33882
U.S. Treasury securities	825,378	1.37675
Municipal bonds	16,726	1.97600
Corporate bonds	1,017,548	1.26804
Asset-backed securities	315,780	1.53413
Mortgage-backed securities	365	1.93128
SMIF	1,296,547	0.53151
Total	\$ 4,991,662	

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 evenly 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 obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

By law, the University 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 occurrence of credit risk is remote. Ratings of the University's investment portfolio for each investment type as of June 30, 2017 are presented in the following table.

Investment type	Fair value	Rating as of year-end			Not rated
		AAA	AA	A	
Money market funds	\$ 19,694	3,838	—	5,717	10,139
Repurchase agreements	10,391	—	—	2,455	7,936
Certificates of deposit	156,581	66,045	19,644	70,892	—
U.S. agency securities	1,332,652	20,468	1,312,184	—	—
U.S. Treasury securities	825,378	—	825,378	—	—
Municipal bonds	16,726	—	16,726	—	—
Corporate bonds	1,017,548	10,235	237,782	769,531	—
Asset-backed securities	315,780	315,780	—	—	—
Mortgage-backed securities	365	—	365	—	—
SMIF	1,296,547	—	—	—	1,296,547
Total	\$ 4,991,662	416,366	2,412,079	848,595	1,314,622

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, 2017, the following investments (excluding U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the University's investment portfolio: Federal Home Loan Banks (\$458,528 or 9.19%) and Federal National Mortgage Association, Inc. (\$390,608 or 7.83%).

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(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.

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 for Investments*

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, 2017

(In thousands)

The following table presents investments that are measured at fair value on a recurring basis at June 30, 2017:

<u>Investment type</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>
Money market funds	\$ 19,694	3,839	—	15,855
Repurchase agreements	10,391	—	10,391	—
Certificates of deposit	156,581	—	156,581	—
U.S. agency securities	1,332,652	672,859	659,793	—
U.S. Treasury securities	825,378	—	825,378	—
Municipal bonds	16,726	—	16,726	—
Corporate bonds	1,017,548	135,868	881,680	—
Asset-backed securities	315,780	315,780	—	—
Mortgage-backed securities	365	—	365	—
	3,695,115	\$ 1,128,346	2,550,914	15,855
SMIF	1,296,547			
Total	\$ 4,991,662			

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.

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) during 2017.

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, 2017

(In thousands)

(viii) *Discretely Presented Component Units' Investments*

Investments of the discretely presented component units at fair value consisted of the following at June 30, 2017:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Money market funds	\$ 32,835	12,087	44,922
Repurchase agreements	190	3	193
Certificates of deposit	20,042	61,956	81,998
U.S. agency securities	32,528	20,248	52,776
U.S. Treasury securities	20,830	111,452	132,282
Municipal bonds	2,185	8,762	10,947
Corporate bonds	65,079	87,365	152,444
Asset-backed securities	5,883	4,756	10,639
Mortgage-backed securities	2,272	11,429	13,701
Local Agency Investment Fund (LAIF)	185,217	1,555	186,772
SMIF	2	—	2
Mutual funds	224,675	895,602	1,120,277
Exchange-traded funds	7,998	72,088	80,086
Equity securities	71,843	469,036	540,879
Alternative investments:			
Private equity (including limited partnerships)	8,883	46,781	55,664
Hedge funds	3,621	64,176	67,797
Real estate investments (including Real Estate Investment Trust)	2,374	34,768	37,142
Commodities	81	9,941	10,022
Other alternative investments	2,875	28,949	31,824
Other external investment pools	370	24,709	25,079
Other investments	55	39,381	39,436
	<u>\$ 689,838</u>	<u>2,005,044</u>	<u>2,694,882</u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(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, 2017:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
Money market funds	\$ 44,922	36,339	7,035	—	1,548
Repurchase agreements	193	—	193	—	—
Certificates of deposit	81,998	53,383	28,615	—	—
U.S. agency securities	52,776	18,033	34,743	—	—
U.S. Treasury securities	132,282	25,323	106,959	—	—
Municipal bonds	10,947	1,885	9,062	—	—
Corporate bonds	152,444	87,605	63,683	1,156	—
Asset-backed securities	10,639	5,639	5,000	—	—
Mortgage-backed securities	13,701	6,036	7,665	—	—
Mutual funds	1,120,277	1,037,691	82,586	—	—
Exchange-traded funds	80,086	80,086	—	—	—
Equity securities	540,879	525,720	14,241	918	—
Alternative investments:					
Private equity (including limited partnerships)	55,664	1,487	498	15,232	38,447
Hedge funds	67,797	1,156	11,795	19,642	35,204
Real estate investments (including Real Estate Investment Trust)	37,142	8,453	1,478	26,207	1,004
Commodities	10,022	3,646	—	6,376	—
Other alternative investments	31,824	25,970	1,248	2,398	2,208
Other external investment pools	25,079	535	4,041	20,503	—
Other investments	39,436	34,037	1,776	3,603	20
	<u>2,508,108</u>	<u>\$ 1,953,024</u>	<u>380,618</u>	<u>96,035</u>	<u>78,431</u>
LAIF	186,772				
SMIF	2				
	<u>\$ 2,694,882</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 \$52,697 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, 2017

(In thousands)

(4) Accounts Receivable

Accounts receivable of the University at June 30, 2017 consisted of the following:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
State appropriations	\$ 2,496	52,450	54,946
State appropriations – SPWB Lease Revenue Bond program	—	66,310	66,310
Discretely presented component units	39,929	1,298	41,227
Student accounts	68,436	—	68,436
Government grants and contracts	23,537	—	23,537
Others	43,426	5,402	48,828
	<u>177,824</u>	<u>125,460</u>	<u>303,284</u>
Less allowance for doubtful accounts	<u>(8,415)</u>	<u>(468)</u>	<u>(8,883)</u>
Total	<u>\$ 169,409</u>	<u>124,992</u>	<u>294,401</u>

(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 \$242,705. Interest rates range from 1.50% to 5.55%. Lease payments are due twice a year on May 1 and November 1. Under the lease agreements, payments are due to the University as follows:

Fiscal year ending June 30:	
2018	\$ 24,662
2019	20,452
2020	20,468
2021	20,419
2022	20,662
2023–2027	108,545
2028–2032	93,894
2033–2037	45,575
2038–2042	14,885
2043–2047	<u>6,765</u>
Total minimum lease payments to be received	376,327
Less amounts representing interest	<u>(123,939)</u>
Present value of future minimum lease payments to be received	252,388
Less current portion	<u>(11,055)</u>
Capital lease receivable, net of current portion	<u>\$ 241,333</u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(6) Notes Receivable

The University has entered into note agreements with certain discretely presented component units to finance existing and newly constructed facilities for the discretely presented component units amounting to \$341,255. Interest rates range from 1.50% 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:	
2018	\$ 27,764
2019	27,699
2020	27,383
2021	27,088
2022	26,966
2023–2027	131,089
2028–2032	121,907
2033–2037	93,535
2038–2042	54,508
2043–2047	<u>28,104</u>
Total minimum note payments to be received	566,043
Less amounts representing interest	<u>(224,302)</u>
Present value of future minimum note payments to be received	341,741
Less current portion	<u>(10,727)</u>
Notes receivable, net of current portion	<u><u>\$ 331,014</u></u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(7) Capital Assets

Capital assets activity for the University for the year ended June 30, 2017 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
Nondepreciable/nonamortizable capital assets:					
Land and land improvements	\$ 268,821	—	—	—	268,821
Works of art and historical treasures	38,833	5,880	—	—	44,713
Construction work in progress	830,301	627,835	(6,653)	(793,357)	658,126
Intangible assets	18,570	13,130	(149)	(627)	30,924
Total nondepreciable/ nonamortizable capital assets	<u>1,156,525</u>	<u>646,845</u>	<u>(6,802)</u>	<u>(793,984)</u>	<u>1,002,584</u>
Depreciable/amortizable capital assets:					
Buildings and building improvements	11,244,160	22,366	(288)	702,028	11,968,266
Improvements other than buildings	636,479	4,727	(634)	43,456	684,028
Infrastructure	1,110,514	14,687	(2,481)	45,500	1,168,220
Personal property:					
Equipment	814,293	50,006	(25,830)	2,375	840,844
Library books and materials	393,699	5,345	(8,171)	—	390,873
Intangible assets	261,680	8,056	(4,557)	625	265,804
Total depreciable/ amortizable capital assets	<u>14,460,825</u>	<u>105,187</u>	<u>(41,961)</u>	<u>793,984</u>	<u>15,318,035</u>
Total cost	<u>15,617,350</u>	<u>752,032</u>	<u>(48,763)</u>	<u>—</u>	<u>16,320,619</u>
Less accumulated depreciation/ amortization:					
Buildings and building improvements	(5,191,382)	(344,261)	143	—	(5,535,500)
Improvements other than buildings	(455,189)	(27,192)	453	—	(481,928)
Infrastructure	(477,339)	(37,977)	1,536	—	(513,780)

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
Personal property:					
Equipment	\$ (585,519)	(54,359)	24,572	—	(615,306)
Library books and materials	(359,277)	(7,408)	7,990	—	(358,695)
Intangible assets	(240,978)	(9,307)	4,518	—	(245,767)
Total accumulated depreciation/ amortization	(7,309,684)	(480,504)	39,212	—	(7,750,976)
Net capital assets	\$ <u>8,307,666</u>	<u>271,528</u>	<u>(9,551)</u>	<u>—</u>	<u>8,569,643</u>

Capital assets activity of the discretely presented component units of the University for the year ended June 30, 2017 consisted of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
Nondepreciable/nonamortizable capital assets:					
Land and land improvements	\$ 126,305	2,444	(304)	—	128,445
Works of art and historical treasures	10,300	1,094	(3,463)	—	7,931
Construction work in progress	20,684	28,858	(2,683)	(19,236)	27,623
Intangible assets	5,098	53	—	(53)	5,098
Total nondepreciable/ nonamortizable capital assets	<u>162,387</u>	<u>32,449</u>	<u>(6,450)</u>	<u>(19,289)</u>	<u>169,097</u>
Depreciable/amortizable capital assets:					
Buildings and building improvements	803,888	69,479	(99,495)	934	774,806
Improvements other than buildings	128,383	20,904	(2,244)	12,554	159,597
Infrastructure	67,693	—	—	—	67,693
Personal property:					
Equipment	207,909	12,130	(12,098)	5,718	213,659
Intangible assets	9,336	1,240	(400)	83	10,259
Total depreciable/ amortizable capital assets	<u>1,217,209</u>	<u>103,753</u>	<u>(114,237)</u>	<u>19,289</u>	<u>1,226,014</u>
Total cost	<u>1,379,596</u>	<u>136,202</u>	<u>(120,687)</u>	<u>—</u>	<u>1,395,111</u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending balance</u>
Less accumulated depreciation/ amortization:					
Buildings and building improvements	\$ (318,996)	(27,239)	45,708	—	(300,527)
Improvements other than buildings	(64,612)	(18,878)	1,897	—	(81,593)
Infrastructure	(19,137)	(1,718)	—	—	(20,855)
Personal property:					
Equipment	(153,459)	(15,349)	11,849	—	(156,959)
Intangible assets	(7,521)	(1,546)	302	—	(8,765)
Total accumulated depreciation/ amortization	<u>(563,725)</u>	<u>(64,730)</u>	<u>59,756</u>	<u>—</u>	<u>(568,699)</u>
Net capital assets	<u>\$ 815,871</u>	<u>71,472</u>	<u>(60,931)</u>	<u>—</u>	<u>826,412</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.

(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. Current California law permits the SPWB to authorize the sale of bonds to construct certain state facilities if there is a revenue stream that can be pledged to repay the obligations. The process in general is described in brief as follows:

- The University and the State of California Department of Finance agree to the construction of one or more facilities to be funded by SPWB bonds. The projects are approved as part of the University's capital outlay budget.
- The SPWB approves the sale of bonds for the project(s) and the University agrees to execute certain legal documents in connection with the financing, including a site lease to the SPWB, a construction agreement to construct the facility for the SPWB, and a facility lease to lease the completed facility from the SPWB for annual rental payments.
- Prior to the execution of the facility lease, the University receives a short-term loan from the State of California Pooled Money Investment Board to provide working capital for initial phases of the construction, and in some cases, the entire construction.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

- Generally, during the construction phase of the project, the bonds are sold by the SPWB, the construction loan is repaid, and site leases and facility leases are executed requiring semiannual lease payments, beginning upon completion of the facilities, by the Trustees that are used to pay principal and interest on the bonds.

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 \$181,717. The University also enters into capital leases with financial institutions and via commercial paper issued by the California State University Institute (the Institute), a discretely presented component unit of the University.

Overall capital leases consist primarily of leases of campus facilities, but also include certain computer, energy efficiency, and telecommunications equipment. Total assets related to capital leases have a carrying value of \$462,987 at June 30, 2017. The leases bear interest at rates ranging from 1.39% to 9% and have terms expiring in various years through 2041.

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, 2017 were \$30,340 of which \$16,469 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, 2017 are as follows:

	<u>Capital leases</u>	<u>Operating leases</u>
Year ending June 30:		
2018	\$ 61,803	26,421
2019	35,728	17,797
2020	34,181	16,053
2021	33,257	15,246
2022	32,226	11,914
2023–2027	143,701	28,413
2028–2032	125,477	15,401
2033–2037	71,504	3,135
2038–2042	10,263	2,085
2043–thereafter	—	1,024
Total minimum lease payments	<u>548,140</u>	<u>137,489</u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

	<u>Capital leases</u>
Less amount representing interest	\$ (195,539)
Present value of future minimum lease payments	<u>352,601</u>
Unamortized net premium	<u>852</u>
Total capital lease obligations	353,453
Less current portion	<u>(43,737)</u>
Capital lease obligations, net of current portion	<u><u>\$ 309,716</u></u>

(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 the 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 \$2,315,413 as of June 30, 2017.

(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 several sources of revenue as the security for the debt. The University's total outstanding balance of revenue bond indebtedness under the SRB program was \$5,826,473 at June 30, 2017.

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; see note 8, *Lease Obligations*).

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

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 continuing education, health center facilities, housing, parking, and student union; student tuition fees (effective in 2017); and designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service), to repay \$6,908,568 in SRB issued through 2017.

(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 the 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. In 2010, the Trustees authorized three projects for financing with maturities beyond three years and they will remain in BANs until the debt is retired. 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, 2017 were 0.88% and 0.45%, respectively. The University's BANs totaled \$600 at June 30, 2017. The not-to-exceed amounts related to the outstanding amounts totaled \$16,930, of which \$1,215 has not been issued and \$15,115 has been issued and paid back.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

Long-term debt obligations of the University as of June 30, 2017 consisted of the following:

<u>Description</u>	<u>Interest rate percentage</u>	<u>Final maturity date</u>	<u>Original issue amount</u>	<u>Amount outstanding</u>
Systemwide Revenue Bonds,				
Housing Series J-K	3.00%	2019/20	\$ 8,558	1,063
Housing Series L-M	3.00	2020/21	5,510	920
Housing Series N, P & Q	3.00	2021/22	6,695	1,365
Series 2007A	4.50	2044/45	48,810	13,540
Series 2007B	5.27-5.55	2037/38	13,165	10,245
Series 2007C	5.00	2028/29	63,275	39,400
Series 2008A	4.00-5.00	2039/40	375,160	20,040
Series 2009A	4.00-5.00	2018/19	454,240	19,145
Series 2010A	3.00-5.00	2031/32	146,950	103,205
Series 2010B	5.45-6.48	2041/42	205,145	205,145
Series 2011A	2.50-5.25	2042/43	429,855	363,160
Series 2012A	3.00-5.00	2042/43	436,220	418,970
Series 2012B	2.79-4.17	2036/37	16,700	15,250
Series 2013A	3.00-5.00	2026/27	308,855	274,635
Series 2014A	3.00-5.00	2044/45	747,740	735,050
Series 2015A	2.00-5.00	2047/48	1,032,920	998,995
Series 2015B	0.98-4.41	2035/36	29,305	26,880
Series 2016A	2.00-5.00	2045/46	1,133,105	1,133,105
Series 2016B-1	3.00	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 2017A	3.00-5.00	2047/48	812,030	812,030
Series 2017B	0.95-3.90	2047/48	335,155	335,155
Series 2017C	2.00-5.00	2037/38	49,175	49,175
			<u>\$ 6,908,568</u>	<u>5,826,473</u>
Bond Anticipation Notes	Various			600
Others	Various			8,583
Total				5,835,656
Unamortized net bond premium				605,917
Total long-term debt				6,441,573
Less current portion				(122,026)
Long-term debt, net of current portion				\$ 6,319,547

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

Long-term debt principal and interest are payable in the following fiscal years:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>
2018	\$ 122,026	279,327
2019	135,932	265,681
2020	148,691	259,081
2021	156,146	252,043
2022	164,085	244,143
2023–2027	892,884	1,095,695
2028–2032	1,120,169	852,039
2033–2037	1,143,418	574,320
2038–2042	952,730	325,177
2043–2047	714,605	131,515
2048–2052	284,970	20,392
	<u>\$ 5,835,656</u>	<u>4,299,413</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, 2017, the Board had approved SRB and BAN that were authorized but unissued in the aggregate principal amount of \$923,780, for projects including academic, infrastructure, housing, and parking facilities. In addition, as of June 30, 2017, there are approximately \$470,840 of remaining authorized and unissued debt for the purpose of refunding certain bonds of the SPWB not previously refunded.

(10) Long-Term Debt Refunding

Current Year Refunding

In March 2017, the University issued SRB Series 2017A (Tax-Exempt), 2017B (Taxable) and 2017C (Tax-Exempt). A portion of the proceeds of SRB Series 2017A was applied to refund a portion of SRB Series 2007A. A portion of the proceeds of SRB Series 2017A and 2017B were applied to refund all of the remaining SRB Series 2007D. The entire proceeds of Series 2017C was applied to refund a portion of the SRB Series 2007A.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

The University placed these proceeds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The proceeds were used to purchase U.S. federal, state, and local government securities that were placed in escrow accounts. The investments and fixed earnings from the investments are considered sufficient to fully service the refunded debt until the debt is called or matured.

The defeasance will reduce the University's total financing cost by approximately \$17,593 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 \$15,674. 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 \$127,835. The entire outstanding balance was paid as of June 30, 2017.

The University recognized a gain on the debt refunding for SRB Series 2017A, 2017B, and 2017C of \$1,190. The gain on debt refunding is the difference between the reacquisition price and the net carrying amount of the old debt, together with any unamortized difference from the prior refunding. The gain on debt refunding is deferred and amortized over the shorter of the old debt (or original amortization period remaining in the prior refunding) or the life of the latest refunding debt. The unamortized gain on debt refunding is included in deferred outflows of resources in the statement of net position and amounted to \$1,184 as of June 30, 2017.

Prior Year Refunding

In prior years, the University refunded certain SRB by placing the proceeds from the issuance of SRB refunding bonds in an irrevocable trust with the State Treasurer to provide for all future debt service payments on the defeased bonds. The proceeds were used to purchase U.S. federal, state, and local government securities that were placed in escrow accounts. The investments and fixed earnings from the investments are considered sufficient to fully service the refunded debt until the debt is called or matured. Accordingly, the trust account assets and liability for the refunded bonds are not included in the University's financial statements. The amount of refunded bonds outstanding, excluding those bonds refunded in the current year, totaled \$689,135 as of June 30, 2017.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(11) Long-Term Liabilities Activity

Long-term liabilities activity of the University for the year ended June 30, 2017 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Accrued compensated absences	\$ 243,362	156,602	(138,328)	261,636	140,963
Capital lease obligations (note 8)	389,385	9,917	(45,849)	353,453	43,737
Long-term debt obligations (note 9):					
Systemwide revenue bonds	4,944,168	1,196,360	(314,055)	5,826,473	120,370
Bond anticipation notes	4,640	200,125	(204,165)	600	400
Other	6,180	5,772	(3,369)	8,583	1,256
	<u>4,954,988</u>	<u>1,402,257</u>	<u>(521,589)</u>	<u>5,835,656</u>	<u>122,026</u>
Unamortized net bond premium	<u>506,760</u>	<u>127,427</u>	<u>(28,270)</u>	<u>605,917</u>	<u>—</u>
Total long-term debt obligations	<u>5,461,748</u>	<u>1,529,684</u>	<u>(549,859)</u>	<u>6,441,573</u>	<u>122,026</u>
Total long-term liabilities	<u>\$ 6,094,495</u>	<u>1,696,203</u>	<u>(734,036)</u>	<u>7,056,662</u>	<u>306,726</u>

Long-term liabilities activity of the aggregated discretely presented component units of the University for the year ended June 30, 2017 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Accrued compensated absences	\$ 19,776	15,410	(14,973)	20,213	14,911
Claims liability for losses and loss adjustment expenses	82,119	28,309	(35,854)	74,574	22,031
Capital lease obligations	360,832	40,653	(128,318)	273,167	11,177
Long-term debt obligations:					
Revenue bonds	22,420	1,585	(920)	23,085	965
Commercial paper	5,964	608,427	(613,791)	600	400
Notes payable	234,600	60,140	(10,000)	284,740	9,170
Other	81,026	2,350	(6,938)	76,438	2,966
	<u>344,010</u>	<u>672,502</u>	<u>(631,649)</u>	<u>384,863</u>	<u>13,501</u>
Unamortized net bond premium	<u>21,851</u>	<u>9,489</u>	<u>(2,359)</u>	<u>28,981</u>	<u>—</u>
Total long-term debt obligations	<u>365,861</u>	<u>681,991</u>	<u>(634,008)</u>	<u>413,844</u>	<u>13,501</u>
Total long-term liabilities	<u>\$ 828,588</u>	<u>766,363</u>	<u>(813,153)</u>	<u>781,798</u>	<u>61,620</u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

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, for the discretely presented component units amounting to \$284,740 included in notes payable and \$55,015 in other long-term debt obligations as of June 30, 2017.

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 \$241,288 as of June 30, 2017.

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 and Postretirement Benefits

(a) Pension Plan

(i) Plan Description

The University, as an agency of the State, contributes to CalPERS. The State's plans with CalPERS are agent multiple-employer defined-benefit pension plans and CalPERS functions as an investment and administrative agent for its members. For the University, the plans act as cost sharing multiple-employer defined-benefit pension plan, which provide a defined-benefit pension and postretirement program for substantially all eligible University employees. The plans also provide survivor, death, and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) for medical benefits.

A full description of the pension plans regarding numbers of employees covered, benefit provision, assumptions, and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports.

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 CalPERS's website or from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, CA 95814.

(ii) Pensionable Compensation

The schedule of pensionable compensation is prepared by the State to provide the total pensionable compensation. This amount was used to calculate the University's proportionate share of pension amounts. The schedule of pensionable compensation and the schedule of pension amounts have the same measurement period of July 1, 2015 through June 30, 2016.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(iii) Contributions

Section 20814(c) of the California Public Employees' Retirement Law (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 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, 2016, the average active employee contribution rates for State Miscellaneous and Peace Officer and Firefighters Plans are 6.67% and 11.31% of annual pay, respectively. For the measurement period ended June 30, 2016, the State's contribution rates for State Miscellaneous and Peace Officer and Firefighters Plans are 25.15% and 38.91% 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 member is 6.50% 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 is 11% 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 were equal to the required contributions and were as follows:

2015	\$	602,995
2016		659,326
2017		757,170

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(iv) *Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

As of June 30, 2017, the University reported a liability of \$7,733,925 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined based on an actuarial valuation as of June 30, 2015 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 a rational approach. At June 30, 2016, the University's proportionate share of the total State net pension liability for the State Miscellaneous and Peace Officers and Firefighters Plans (collectively the Plans) were 22.87662% and 1.15882%, respectively.

For the year ended June 30, 2017, the University recognized pension expense of \$850,207 for State Miscellaneous Plan and \$22,393 for 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, 2017. Deferred outflows of resources are recognized for the University's retirement contributions made subsequent to the measurement date, the difference between expected and actual experience, aggregate difference between projected and actual earnings on pension plan investments arising in different measurement periods and changes in the University's proportionate share of pensionable compensation. Deferred inflows of resources are recognized for the difference between expected and actual experience.

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
University retirement contribution subsequent to the measurement date	\$ 757,170	—
Difference between expected and actual experience	79,510	17,394
Difference due to change in proportionate share	35,352	—
Net difference between projected and actual earnings on pension plan investments	<u>853,829</u>	<u>—</u>
Total	<u>\$ 1,725,861</u>	<u>17,394</u>

The \$757,170 of deferred outflows of resources related to pension resulting from the University's contributions subsequent to the measurement date of June 30, 2016 will be recognized as a reduction of the net pension liability as of the measurement date of June 30, 2017.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

The deferred outflows of resources will be recognized as pension expense as follows:

(v) *Schedule of Differences between Expected and Actual Experience*

Measurement period ended June 30	Initial differences*	Recognition period (years)	Increase in pension expense arising from the recognition of the effects of differences between expected and actual experience (measurement dates)					Total
			2017	2018	2019	2020	2021	
Miscellaneous Plan:								
2015	\$ 158,681	3.9	\$ 40,687	36,619	—	—	—	77,306
Peace Officers and Firefighters Plan:								
2015	3,344	5.1	656	656	656	64	—	2,032
2016	213	5.2	41	41	41	41	8	172
Net increase in pension expense			\$ 41,384	37,316	697	105	8	79,510

(vi) *Schedule of Change in Proportionate Share*

Measurement period ended June 30	Initial differences*	Recognition period (years)	Increase in pension expense arising from the recognition of the effects of change in properties share (measurement dates)					Total
			2017	2018	2019	2020	2021	
Miscellaneous Plan:								
2015	\$ 34,438	3.9	\$ 8,830	7,947	—	—	—	16,777
2016	7,628	4.0	1,907	1,907	1,907	—	—	5,721
Peace Officers and Firefighters Plan:								
2015	7,537	5.1	1,478	1,478	1,478	148	—	4,582
2016	10,242	5.2	1,970	1,970	1,970	1,970	392	8,272
Net increase in pension expense			\$ 14,185	13,302	5,355	2,118	392	35,352

(vii) *Schedule of Differences between Projected and Actual Earnings on Pension Plan Investments*

Measurement period ended June 30	Initial differences*	Recognition period (years)	Increase in pension expense arising from the recognition of the differences between projected and actual earnings on pension plan investments (measurement dates)					Total
			2017	2018	2019	2020	2021	
Miscellaneous Plan:								
2014	\$ (1,344,501)	5	\$ (268,900)	(268,900)	—	—	—	(537,800)
2015	832,081	5	166,416	166,416	166,417	—	—	499,249
2016	1,094,241	5	218,848	218,848	218,848	218,849	—	875,393
Peace Officers and Firefighters Plan:								
2014	(26,039)	5	(5,208)	(5,208)	—	—	—	(10,416)
2015	16,421	5	3,285	3,285	3,285	—	—	9,855
2016	21,937	5	4,387	4,387	4,387	4,387	—	17,548
Net increase in pension expense			\$ 118,828	118,828	392,937	223,236	—	853,829

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

* *Adjusted for any changes in University's proportionate share*

The deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

(viii) *Schedule of Differences between Expected and Actual Experience*

Measurement period ended June 30	Initial differences*	Recognition period (years)	Recognition of the effects of differences between expected and actual experience (measurement dates)			
			2017	2018	2019	Total
Miscellaneous Plan: 2016	\$ (23,193)	4	\$ (5,798)	(5,798)	(5,798)	(17,394)
Net decrease in pension expense			\$ (5,798)	(5,798)	(5,798)	(17,394)

* *Adjusted for any changes in University's proportionate share*

(ix) *Actuarial Assumptions*

For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 and 2015 total pension liability were based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65%, 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 2.75% until purchasing power protection allowance floor on purchasing power applies; 2.75% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 CalPERS Experience Study and Review of Actuarial Assumptions report (Experience Study).

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The Experience Study report can be obtained from CalPERS' website.

(x) *Discount Rate*

The discount rate used to measure the total pension liability was 7.65%. 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 testing, the plans do not exhaust assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test result is presented in the GASB Crossover Testing Report, which can be obtained from CalPERS' website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments 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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, 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 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.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

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. The target allocation shown was adopted by the CalPERS Board of Administration effective on July 1, 2015.

<u>Asset class</u>	<u>Current target allocation</u>	<u>Real return years 1–10¹</u>	<u>Real return years 11+²</u>
Global equity	47.00%	5.25%	5.71%
Global fixed income	19.00	0.99	2.43
Inflation sensitive	6.00	0.45	3.36
Private equity	12.00	6.83	6.95
Real estate	11.00	4.50	5.13
Infrastructure and forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

In December 2016, the CalPERS Board of Administration voted to lower the discount rate used in its actuarial assumptions from 7.65% to 7.15% (including administrative expenses) effective July 1, 2017 over three year period. As shown in the table below, a similar reduction to the discount rate in accordance with GASB Statement No. 68 will increase the net pension liability. This increase will be amortized over the expected remaining service lives of all employees provided with benefits through the pension plans.

(xi) *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 Plans as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.65%) or one-percentage point higher (8.65%) than the current rate:

<u>Plan</u>	<u>Discount rate -1% (6.65%)</u>	<u>Current discount rate (7.65%)</u>	<u>Discount rate + 1% (8.65%)</u>
Miscellaneous Plan	\$ 10,312,941	7,575,326	5,277,051
Peace Officers and Firefighters Plan	223,425	158,599	105,373
Net pension liability	\$ <u>10,536,366</u>	<u>7,733,925</u>	<u>5,382,424</u>

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(xii) 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. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in your funding actuarial valuation.

(b) Postretirement Healthcare Plan

(i) Plan Description

The State provides retiree healthcare benefits to statewide employees, including the University employees, through the programs administered by CalPERS. The State's plan represents a substantive single-employer defined-benefit OPEB Plan, which includes medical and prescription drug benefits (collectively, healthcare benefits) to the retired University employees. The University provides dental benefits to eligible University's retirees. Eligible retirees receive healthcare and dental benefits upon retirement at age 50 with five years of service credit.

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 to the University's retirees. Health plans offered, covered benefits, monthly rates, and copayments are determined by the CalPERS Board, which reviews health plan contracts annually.

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.

(ii) Funding Policy

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.

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.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(iii) Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the total annual required contribution (ARC) for the University's allocated portion of the postretirement healthcare plan, the amount contributed to the plan by the University, and changes in the University's net OPEB obligation (NOO) for the fiscal years ended 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution (ARC):			
Billable accounts	\$ 53,324	50,349	40,931
Nonbillable accounts (dental only)	41,742	40,862	38,765
Total ARC	<u>95,066</u>	<u>91,211</u>	<u>79,696</u>
Contributions:			
Billable accounts	(19,970)	(18,665)	(16,293)
Nonbillable accounts (dental only)	(18,011)	(17,103)	(17,056)
Total contributions	<u>(37,981)</u>	<u>(35,768)</u>	<u>(33,349)</u>
Increase in net OPEB obligation (NOO)	57,085	55,443	46,347
NOO – beginning of year	368,803	313,360	267,013
NOO – end of year:			
Billable accounts	216,984	183,630	151,946
Nonbillable accounts (dental only)	208,904	185,173	161,414
Total NOO	<u>\$ 425,888</u>	<u>368,803</u>	<u>313,360</u>
Percentage of annual OPEB cost contributed during the years ended June 30, 2017, 2016, and 2015	39.95%	39.21%	41.85%

(iv) Actuarial Methods and Assumptions and Plan Funding Information

As an agency of the State, the University was included in the State's OPEB actuarial study. The analysis of the statewide ARC by accounts is performed by the State Controller's Office (SCO) and a portion related to billable accounts is allocated to the University. Since the ARC allocated by the SCO does not provide a breakdown of the ARC for health and dental benefits separately, the ARC for the nonbillable accounts, which related only to dental benefits, was estimated based on dental contributions as a percentage of the total OPEB contributions.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

Projections of benefits for financial statement 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 of benefit cost between the State and the plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective. In the June 30, 2016 actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.25% investment rate of return and 4.25% discount rate. Both rates included a 2.75% annual inflation assumption. Annual wage inflation is assumed to be 3.00%. The unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

Funding progress information specifically related to the University's portion of the statewide OPEB plan is not available. For more details about the actuarial methods and assumptions used by the State, as well as the statewide plans' funding progress and status, refer to the State of California's Comprehensive Annual Financial Report.

(13) Deferred Outflows and Inflows of Resources

The composition of deferred outflows and inflows of resources at June 30, 2017 is summarized as follows:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Related to net pension liability	\$ 1,725,861	17,394
Net loss on debt refundings:		
Systemwide revenue bonds	103,449	—
SPWB capital lease obligations	57	—
Total	<u>\$ 1,829,367</u>	<u>17,394</u>

(14) 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, 2017. 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, 2017.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

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.

(15) Commitments and Contingencies

The State is a defendant in multiple lawsuits involving University matters not covered by the CSURMA as discussed in note 14. 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, 2017 totaled \$567,510. These expenditures will be funded primarily by State appropriations and bond proceeds.

In order to secure access to natural gas and electricity used for normal operation, the University participates in forward purchase contracts of natural gas and electricity operated by the Department of General Service and Shell Energy North America, respectively. The University's obligation under these special purchase arrangements requires it to purchase an estimated total of \$1,497 and \$28,759 of natural gas and electricity at fixed prices through June 2018 and December 2019, respectively. The University estimates that the special purchase contracts in place represent approximately 7.19% and 14.31% of its total annual natural gas and electricity expenses, respectively.

CALIFORNIA STATE UNIVERSITY

Notes to Financial Statements

June 30, 2017

(In thousands)

(16) 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, 2017, operating expenses by natural classification consisted of the following:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and fellowships expense</u>	<u>Supplies and other services</u>	<u>Depreciation and amortization</u>	<u>Total operating expenses</u>
Instruction	\$ 1,777,139	859,563	—	217,221	—	2,853,923
Research	28,338	8,828	—	17,302	—	54,468
Public service	27,781	3,654	—	15,578	—	47,013
Academic support	401,456	209,258	—	199,896	—	810,610
Student services	419,421	233,183	—	233,304	—	885,908
Institutional support	413,228	259,734	—	230,768	—	903,730
Operation and maintenance of plant	223,989	151,493	—	345,377	—	720,859
Student grants and scholarships	—	—	844,019	—	—	844,019
Auxiliary enterprise expenses	81,849	69,837	—	233,932	—	385,618
Depreciation and amortization	—	—	—	—	480,504	480,504
Total	<u>\$ 3,373,201</u>	<u>1,795,550</u>	<u>844,019</u>	<u>1,493,378</u>	<u>480,504</u>	<u>7,986,652</u>

(17) Transactions with Related Entities

The University is an agency of the State and receives about 40.10% of total revenues through state appropriations. State appropriations allocated to the University aggregated approximately \$3,293,198 for the year ended June 30, 2017. State appropriations receivable is \$121,256 at June 30, 2017.

(18) Subsequent Events

BANs Issuance

The University issued \$48,200 of BANs subsequent to June 30, 2017. \$21,965 of these BANs are issued to finance San Diego State University Tula/Tenochca Replacement Project and \$26,235 are issued to finance the California Polytechnic State University, San Luis Obispo – Cal Poly Corporation Vista Grande Replacement Building Project.

Schedule 1

CALIFORNIA STATE UNIVERSITY

Schedule of University's Proportionate Share of the Net Pension Liability

June 30, 2017

(Unaudited)

(In thousands)

*Last Ten Fiscal Years*¹

	<u>2016²</u>	<u>2015²</u>	<u>2014²</u>
State of California Miscellaneous Plan			
University's proportion of the net pension liability	22.87662%	22.84970%	22.72891%
University's proportionate share of the net pension liability	\$ 7,575,326	6,453,200	5,411,439
University's covered payroll	\$ 2,567,251	2,407,821	2,209,786
University's proportionate share of the net pension liability as a percentage of covered payroll	295.07539%	268.00996%	244.88521%
Plan fiduciary net position as a percentage of the total pension liability	66.81100%	70.68274%	74.17418%
State of California Peace Officers and Firefighters Plan			
University's proportion of the net pension liability	1.15882%	1.07094%	1.00623%
University's proportionate share of the net pension liability	\$ 158,599	124,994	102,216
University's covered payroll	\$ 37,528	33,341	30,160
University's proportionate share of the net pension liability as a percentage of covered payroll	422.61507%	374.89140%	338.91247%
Plan fiduciary net position as a percentage of the total pension liability	66.09678%	69.61241%	72.18915%

¹ 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.

² 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.

Schedule 2

CALIFORNIA STATE UNIVERSITY

Schedule of Employer Contributions

Year ended June 30, 2017

(Unaudited)

(In thousands)

*Last Ten Fiscal Years**

State of California Miscellaneous Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 737,766	641,710	588,353
Contributions in relation to the actuarially determined contributions	<u>(740,570)</u>	<u>(644,679)</u>	<u>(589,385)</u>
Contribution excess	<u>\$ (2,804)</u>	<u>(2,969)</u>	<u>(1,032)</u>
University's covered payroll	\$ 2,768,770	2,559,878	2,431,410
Contributions as a percentage of covered payroll	26.74726%	25.18397%	24.24046%

State of California Peace Officers and Firefighters Plan

Actuarially determined contribution	\$ 15,858	14,027	11,737
Contributions in relation to the actuarially determined contributions	<u>(16,600)</u>	<u>(14,647)</u>	<u>(13,610)</u>
Contribution excess	<u>\$ (742)</u>	<u>(620)</u>	<u>(1,873)</u>
University's covered payroll	\$ 39,372	37,568	33,363
Contributions as a percentage of covered payroll	42.16076%	38.98940%	40.79391%

* 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.

Schedule 2

CALIFORNIA STATE UNIVERSITY

Schedule of Employer Contributions

Year ended June 30, 2017

(Unaudited)

(In thousands)

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.
Amortization method/period	For details, see June 30, 2015 Funding Valuation Report.
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2015 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3%
Investment rate of return	7.5%, net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality is based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.
Significant factors affecting contribution rates	For details, see June 30, 2015 Funding Valuation Report.

See accompanying independent auditors' report.

Schedule 3

CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Net Income Available for Debt Service
 Year ended June 30, 2017

Gross revenues:	
Tuition fees	\$ 3,116,566,106
Student housing	468,503,481
Student unions/recreation centers	228,922,251
Parking	119,976,698
Health centers	10,858,515
Extended and continuing education	390,084,608
Auxiliary organization ¹	597,511,899
Other related entity ²	<u>6,651,768</u>
Total gross revenues	<u>4,939,075,326</u>
Maintenance and operations expenses:	
Academic facilities	285,871,459
Student housing	297,320,239
Student unions/recreation centers	108,482,999
Parking	80,714,279
Health centers	5,295,229
Extended and continuing education	397,675,380
Auxiliary organization ¹	<u>512,656,989</u>
Total maintenance and operations expenses	<u>1,688,016,574</u>
Net income available for debt service	<u>\$ 3,251,058,752</u>
Debt service:	
Systemwide revenue bonds debt	\$ 299,433,842
Designated auxiliary organization debt	<u>2,017,374</u>
Total debt service	<u>\$ 301,451,216</u>

The purpose of this schedule is to meet bond reporting covenants covering the operations of the projects by showing the gross revenues, and maintenance and operations expenses for the fiscal year.

- (1) This includes gross revenues and maintenance and operations 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 loans with the Board of Trustees.
- (2) This includes gross revenues derived from lease with California State University, Channel Islands Site Authority which are used solely to pay debt service. The maintenance and operations expense are excluded as these are not paid by the pledged gross revenues.

See accompanying independent auditors' report.

Schedule 4

CALIFORNIA STATE UNIVERSITY

Systemwide Revenue Bond Program's Residence and Dining Halls Operating Data by Campus (1)

Year ended June 30, 2017

(Unaudited)

	Operating and other revenues	Operating expenditures	Excess of revenues over expenditures	Design capacity	Operational capacity (2)	Average number of spaces occupied	% of spaces occupied (3)
CSU, Bakersfield	\$ 5,113,532	4,722,289	391,243	576	563	374	66%
CSU, Channel Islands	17,009,107	8,431,996	8,577,111	1,528	1,571	1,520	97
CSU, Chico	24,086,864	16,676,011	7,410,853	2,128	2,222	2,131	96
CSU, Dominguez Hills	4,734,055	3,532,640	1,201,415	712	660	642	97
CSU, East Bay	12,535,321	7,761,676	4,773,645	1,296	1,716	1,440	84
CSU, Fullerton	28,343,464	13,460,063	14,883,401	1,918	1,906	1,944	102
Humboldt State University	15,265,652	7,062,929	8,202,723	2,070	2,096	1,999	95
CSU, Long Beach	22,036,701	12,461,570	9,575,131	1,826	2,049	2,010	98
CSU, Los Angeles	8,190,947	6,049,812	2,141,135	1,069	1,012	1,024	101
California Maritime Academy	9,308,998	5,793,909	3,515,089	732	732	722	99
CSU, Northridge	22,570,445	13,050,191	9,520,254	3,604	3,314	2,634	79
CSPU, Pomona	25,770,307	10,650,946	15,119,361	2,440	2,471	2,392	97
CSU, Sacramento	19,830,981	14,962,049	4,868,932	1,672	1,711	1,688	99
CSU, San Bernardino	11,286,939	7,429,277	3,857,662	1,529	1,431	1,317	92
San Diego State University	45,380,340	27,060,269	18,320,071	3,570	4,051	3,526	87
San Francisco State University (5)	57,981,085	37,235,367	20,745,718	3,713	3,819	3,675	96
San Jose State University	52,829,258	31,892,972	20,936,286	3,722	3,968	3,732	94
CPSU, San Luis Obispo	49,843,436	28,321,781	21,521,655	6,239	7,334	6,930	94
Sonoma State University	28,434,757	18,414,269	10,020,488	3,146	3,211	3,014	94
CSU, Stanislaus	5,222,735	4,339,593	883,142	460	492	486	99
	465,774,924	279,309,609	186,465,315	43,950	46,329	43,200	93%
Systemwide Offices	—	82,704	(82,704)				
Interest income	2,728,557	—	2,728,557				
Total	\$ 468,503,481	279,392,313	189,111,168				

Average annual rates per academic year (4)

	Residence Halls			Apartments		
	Single	Double	Suite	Single	Double	Suite
CSU, Bakersfield	\$ 10,800	8,803	—	—	—	—
CSU, Channel Islands	10,820	9,740	—	12,670	11,060	—
CSU, Chico	9,275	7,657	—	9,275	7,657	—
CSU, Dominguez Hills	—	—	—	—	8,712	—
CSU, East Bay	—	—	7,854	9,363	7,590	—
CSU, Fullerton	—	11,466	—	12,210	9,300	—
Humboldt State University	7,596	6,136	—	7,596	6,136	—
CSU, Long Beach	8,650	7,650	—	—	—	—
CSU, Los Angeles	—	—	—	8,346	6,446	—
California Maritime Academy	7,262	5,562	—	—	—	—
CSU, Northridge	—	—	6,335	11,125	6,569	—
CSPU, Pomona	10,350	9,027	—	—	—	—
CSU, Sacramento	7,567	7,015	—	—	7,801	8,915
CSU, San Bernardino	6,924	5,559	—	9,426	—	9,378
San Diego State University	10,984	9,512	—	9,760	8,136	—
San Francisco State University (5)	—	8,330	9,122	11,618	10,090	—
San Jose State University	9,488	8,322	—	12,948	10,292	—
CPSU, San Luis Obispo	—	7,360	—	8,516	6,812	—
Sonoma State University	8,622	6,616	—	10,206	8,158	—
CSU, Stanislaus	7,255	—	—	7,727	6,447	—
	\$ 115,593	118,755	23,311	140,786	121,206	18,293

- (1) Housing facilities at the Fresno, Monterey Bay, and San Marcos campuses are operated by Auxiliary Organizations.
- (2) This column reflects capacity adjusted for increase or decrease in permanent conversions and temporary adjustments.
- (3) Percentage of spaces occupied is based on Operational Capacity. In certain cases, Percentage occupancy by Design Capacity is over 100%.
- (4) 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.
- (5) The operational capacity does not include 468 apartment units that were occupied by students, faculty, and staff. The annual rates for the one-bedroom, two-bedroom, or three-bedroom units (not bed spaces) vary between \$1,500 and \$4,250.

See accompanying independent auditors' report.

Schedule 5

CALIFORNIA STATE UNIVERSITY
 Systemwide Revenue Bond Program's Statement of Insurance Coverage
 Year ended June 30, 2017
 (Unaudited)

<u>Expiration date*</u>	<u>Coverage</u>	<u>Amount</u>	<u>Company</u>	<u>Policy number</u>
July 1, 2017	CSU Master Property Policy, "All Risk" Building, Equipment, and Rental Income	\$ 1,000,000,000 per occurrence	Alliant Property Insurance Program (APIP)	017471590/03
July 1, 2017	CSU Master Property Policy, Boiler, and Machinery	100,000,000	APIP	017471590/03
July 1, 2017	Bodily Injury and Property Damage Liability (Primary)	up to 5,000,000	CSURMA (Self-insured portion)	N/A
July 1, 2017	Bodily Injury and Property Damage Liability (Reinsurance)	5,000,000	Ironshore	000541306
July 1, 2017	Bodily Injury and Property Damage Liability (Reinsurance)	10,000,000	Allied World Assurance Company	03102286
July 1, 2017	Workers Compensation and Employer's Liability	CA WC Statutes	CSC-EIA	EIA PE 16 EWC-143

* Additional insurance policies are maintained for the period from July 1, 2017 to July 1, 2018. These policies provide the same coverage indicated above.

See accompanying independent auditors' report.



CALIFORNIA STATE UNIVERSITY
Single Audit Reports
Year Ended June 30, 2017
(With Independent Auditors' Report Thereon)

CALIFORNIA STATE UNIVERSITY

Table of Contents

	Page
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	15
Schedule of Findings and Questioned Costs	16



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Trustees
California State University:

We have audited, in accordance with the 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, the financial statements of the business-type activities and the aggregate discretely presented component units of the California State University, an agency of the State of California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise California State University's basic financial statements, and have issued our report thereon dated November 17, 2017. Our report refers to other auditors who audited 88 of the 90 aggregate discretely presented component units, which statements reflect total assets constituting 96% and total revenues constituting 94% of the aggregate discretely presented component units totals. The reports of the other auditors have been furnished to us, and our opinion, insofar as they relate to the amounts included for the 88 aggregate discretely presented component units, are based solely on the reports of the other auditors. The financial statements of 46 discretely presented component units are not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters in accordance with *Government Auditing Standards* for the discretely presented component units.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered California State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California State University's internal control. Accordingly, we do not express an opinion on the effectiveness of California State University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether California State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the California State University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the California State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Orange County, California
November 17, 2017



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
California State University:

Report on Compliance for Each Major Federal Program

We have audited the California State University's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2017. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The University's basic financial statements include the operations of the University's discretely presented component units, which received federal awards totaling \$357,939,887, which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2017. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform audits in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the California State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003 that we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University, an agency of the State of California, as of and for the year ended June 30, 2017, and have issued our report thereon dated November 17, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The 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, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Orange County, California
November 17, 2017

CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Direct programs:				
Federal Supplemental Educational Opportunity Grant	84.007		\$ 14,436,674	—
Federal Work-Study Program	84.033		16,727,445	—
Federal Perkins Loan Program	84.038		91,371,067	—
Federal Pell Grant Program	84.063		954,076,959	—
Federal Direct Student Loans	84.268		1,488,666,916	—
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		2,787,730	—
Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grant (IASG))	84.408		5,413	—
Total U.S. Department of Education			<u>2,568,072,204</u>	<u>—</u>
U.S. Department of Health and Human Services:				
Direct program:				
Nursing Student Loans	93.364		2,443,644	—
Total U.S. Department of Health and Human Services			<u>2,443,644</u>	<u>—</u>
Total Student Financial Assistance Cluster			<u>2,570,515,848</u>	<u>—</u>
Other programs and clusters:				
U.S. Department of Agriculture:				
Direct programs:				
Higher Education Multicultural Scholars Program Passed through California Department of Education:	10.220		10,727	227
Child and Adult Care Food Program	10.558		47,514	—
Total U.S. Department of Agriculture			<u>58,241</u>	<u>227</u>
U.S. Department of Commerce:				
Direct program:				
Marine Debris Program	11.999		18,934	—
Total U.S. Department of Commerce			<u>18,934</u>	<u>—</u>
U.S. Department of Defense:				
Passed through Institute of International Education Inc.:				
		Amendment #2-0054-SFSU-8 #0054-SFSU-8- #0054-SFSU-8-PO2 Amendment 2-2340-SFSU-14 2340-SFSU-14 1-0054-SFSU-8-CHN-280-PO1		
The Language Flagship Grants to Institutions of Higher Education	12.550	SFSU-CHN	606,797	178,365
Total U.S. Department of Defense			<u>606,797</u>	<u>178,365</u>
U.S. Department of the Interior:				
Passed through California Office of Historic Preservation:				
Historic Preservation Fund Grants-in-Aid	15.904	C8960512	913	—
Passed through CSU Dominguez Hills Foundation:				
Preservation of Japanese American Confinement Sites	15.933	500020	4,050	—
Direct program:				
Cultural Resources Management	15.946		15,148	—
Total U.S. Department of the Interior			<u>20,111</u>	<u>—</u>
U.S. Department of Labor:				
Workforce Innovation and Opportunity Act (WIOA) Cluster:				
Passed through Fresno Regional Workforce Development Board:				
Workforce Investment Act (WIA)/WIOA Adult Program	17.258	CONTRACT NO. 554	25,000	—
Total WIOA Cluster			<u>25,000</u>	<u>—</u>
Direct program:				
Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants	17.282		979,608	15,931
Total U.S. Department of Labor			<u>1,004,608</u>	<u>15,931</u>

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
U.S. Department of Transportation:				
Passed through California Department of Transportation:				
		06A2062, 03A2168, 04A4782 04A4916, 43A0342, 04A4091		
U.S. Department of Transportation (not classified elsewhere)	20.UNK	04A4643, 04A4658	\$ 399,811	—
Direct programs:				
State Maritime Schools	20.806		818,070	—
Ballast Water Treatment Technologies	20.819		206,413	—
Total U.S. Department of Transportation			<u>1,424,294</u>	<u>—</u>
National Aeronautics and Space Administration:				
Direct program:				
Science	43.001		572	—
Passed through Association of Universities for Research in Astronomy, Incorporated:				
Science	43.001	STI-509915	293,186	—
Passed through Stanford University:				
Science	43.001	PY04430-22727-C	22,195	—
Passed through The Regents of the University of California:				
Science	43.001	012815	152	—
Subtotal CFDA 43.001			<u>316,105</u>	<u>—</u>
Direct Program:				
Education	43.008		185,632	3,576
Passed through Napa Valley College:				
Education	43.008	SSU16	127,742	—
Subtotal CFDA 43.008			<u>313,374</u>	<u>3,576</u>
Total National Aeronautics and Space Administration			<u>629,479</u>	<u>3,576</u>
National Endowment for the Humanities:				
Direct program:				
Promotion of the Humanities – Division of Preservation and Access	45.149		7,847	—
Passed through CSU Dominguez Hills Foundation:				
Promotion of the Humanities – Division of Preservation and Access	45.149	500027	1,000	—
Subtotal CFDA 45.149			<u>8,847</u>	<u>—</u>
Direct program:				
Promotion of the Humanities Fellowships and Stipends	45.160		37,825	—
Total National Endowment for the Humanities			<u>46,672</u>	<u>—</u>
National Science Foundation:				
Direct programs:				
Mathematical and Physical Sciences	47.049		18,818	—
Education and Human Resources	47.076		110,000	—
Passed through University Enterprises, Incorporated California State University, Sacramento:				
Education and Human Resources	47.076	523841, HRD – 1302873 5205-41A	42,375	—
Subtotal CFDA 47.076			<u>152,375</u>	<u>—</u>
Direct program:				
Trans-NSF Recovery Act Research Support	47.082		37	—
Subtotal CFDA 47.082			<u>37</u>	<u>—</u>
Total National Science Foundation			<u>171,230</u>	<u>—</u>
U.S. Environmental Protection Agency:				
Passed through Environmental Quality Management:				
U.S. Environmental Protection Agency (not classified elsewhere)	66.UNK	13-017_021003	216,257	—
Passed through Weston Solutions, Incorporated:				
U.S. Environmental Protection Agency (not classified elsewhere)	66.UNK	0091101_CO1	8,553	—
Subtotal CFDA 66.UNK			<u>224,810</u>	<u>—</u>
Direct program:				
Regional Wetland Program Development Grants	66.461		181,102	181,102
Total U.S. Environmental Protection Agency			<u>405,912</u>	<u>181,102</u>

CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
U.S. Department of Energy:				
Passed through Alliance for Sustainable Energy, LLC:				
Renewable Energy Research and Development	81.087	AFC-5-52004-02	\$ 7,088	—
Direct program:				
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117		95,826	—
Total U.S. Department of Energy			102,914	—
U.S. Department of Education, excluding Student Financial Assistance Cluster:				
TRIO Cluster:				
Direct program:				
TRIO – Student Support Services	84.042		1,778,177	—
Passed through The CSU, Chico Research Foundation:				
TRIO – Student Support Services	84.042	P042A100854-15	29,500	—
Passed through California State University, Fresno Foundation:				
TRIO – Student Support Services	84.042	P042A150383, P042A150475	111,672	—
Subtotal CFDA 84.042			1,919,349	—
Direct programs:				
TRIO – Talent Search Program	84.044		623,793	—
TRIO – Upward Bound Program	84.047		1,594,716	—
TRIO – McNair Post-Baccalaureate Achievement	84.217		208,989	—
Total TRIO Cluster			4,346,847	—
Passed through University Enterprises Corporation at California State University San Bernardino:				
Undergraduate International Studies and Foreign Language Programs	84.016	GT-14130	4,650	—
Direct program:				
Higher Education-Institutional Aid	84.031		4,672,539	378,875
Passed through California State University, Long Beach Research Foundation:				
Higher Education-Institutional Aid	84.031	SG1391SUP-CO	27,987	—
Passed through Santa Barbara City College:				
Higher Education – Institutional Aid	84.031	SG1391SUP_STAN	581	—
Passed through Ventura County Community College District:				
Higher Education – Institutional Aid	84.031	12131.4070.562000.60	155,900	—
Higher Education – Institutional Aid	84.031	P0083733	46,859	—
Higher Education – Institutional Aid	84.031	P0103046	86,868	—
Passed through San Mateo County Community College District:				
Higher Education – Institutional Aid	84.031	P031C1100159	40,520	—
Subtotal CFDA 84.031			5,031,254	378,875
Direct programs:				
TRIO Staff Training Program	84.103		398,015	—
Grants to States	84.126	28592	109,506	—
Direct program:				
Rehabilitation Long-Term Training	84.129		329,283	—
Passed through Oxnard School District:				
Magnet Schools Assistance	84.165	13-176	494	—
Direct program:				
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325		1,086,816	148,646
Passed through Commission on Teacher Credentialing:				
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325	14STC0035	1,804	—
Subtotal CFDA 84.325			1,088,620	148,646
Direct programs:				
Special Education – Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		600,545	—
Child Care Access Means Parents in School	84.335		279,072	—
Passed through The California State University, Chico Research Foundation:				
Teacher Quality Partnership Grants	84.336	14-042, 15-034	67,833	—
Passed through California State University Dominguez Hills Foundation:				
Transition to Teaching	84.350	500011	64,706	—

CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
Direct program:				
English Language Acquisition State Grants	84.365		\$ 401,620	—
Passed through University of California, Santa Cruz:				
English Language Acquisition State Grants	84.365	S0183643	37,179	—
Subtotal CFDA 84.365			438,799	—
Passed through Santa Rosa City Schools:				
Mathematics and Science Partnerships	84.366	101	115,047	—
Passed through California Department of Education:				
Supporting Effective Instruction Grant (Formerly Improving Teacher Quality State Grants)	84.367	15-15196-3064-00 16-15196-3064-00	246,729	109,430
Passed through The Regents of the University of California:				
		NCLB12-CMP-SONOMA NCLB12-CISP-SONOMA NCLB13-CMP STANISLAUS NCLB13-CMP-SONOMA NCLB13-CWP TURLOCK NCLB13-CISP-SONOMA		
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	92-CA10-SEED2012 92-CA10-SEED2016	129,496	—
Passed through National Writing Project:				
		92-CA10-SEED2016-ILI AM2A 92CA10 SEED2012		
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		39,206	—
Subtotal CFDA 84.367			415,431	109,430
Direct Program:				
Strengthening Minority-Serving Institutions	84.382		95,287	—
Passed through California Department of Rehabilitation:				
Promoting Readiness of Minors in Supplemental Security Income	84.418	29505	581	—
Total U.S. Department of Education, excluding Student Financial Assistance Cluster			13,385,970	636,951
U.S. Department of Health and Human Services:				
477 Cluster:				
Child Care and Development Fund Cluster:				
Passed through California Department of Education:				
Child Care and Development Block Grant	93.575	CCTR-6042, CSPP-6095	59,742	—
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-6042, CSPP-6095	130,066	—
Total Child Care and Development Fund Cluster			189,808	—
Total 477 Cluster			189,808	—
Direct programs:				
Mental Health Research Grants	93.242		47,951	19,197
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		323,826	—
Passed through University of California, San Francisco:				
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243	8300SC	10,325	—
Subtotal CFDA 93.243			334,151	—
Passed through University of California, San Francisco:				
Minority Health and Health Disparities Research	93.307	7518SC	5,535	—
Passed through California Department of Education:				
Head Start	93.600	15291, 15292, 15298	444,359	—
Passed through University of California, Berkeley:				
		00009246 #15-IA-00850		
Foster Care – Title IV-E	93.658		2,189,315	—
Passed through The Regents of the University of California:				
Foster Care – Title IV-E	93.658	15-IA-00850	1,222,473	—
Subtotal CFDA 93.658			3,411,788	—
Direct program:				
Biomedical Research and Research Training	93.859		2,200,081	—
Passed through AIDS United:				
HIV Prevention Activities – Non-Governmental Organization Based	93.939	880-20172	37,995	—
Total U.S. Department of Health and Human Services			6,671,668	19,197

CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
Corporation for National and Community Service:				
Direct programs:				
Learn and Serve America Higher Education	94.005		\$ 79,437	—
AmeriCorps	94.006		116,913	—
Passed through Jumpstart for Young Children:				
AmeriCorps	94.006	CFDA-94.006-JS-SITE#10	6,717	—
Subtotal CFDA 94.006			123,630	—
Direct program:				
Volunteers in Service to America	94.013		9,962	—
Total Corporation for National and Community Service			213,029	—
U.S. Department of Homeland Security:				
Passed through Department of Parks and Recreation, Division of Boating and Waterways:				
Boating Safety Financial Assistance	97.012	C8956314, 11-201-014	37,886	—
Total U.S. Department of Homeland Security			37,886	—
Research and Development Cluster:				
U.S. Department of Agriculture:				
Direct program:				
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326		76,927	25,269
Supplemental Nutrition Assistance Program (SNAP) Cluster:				
Direct program:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		7,059	—
Total Supplemental Nutrition Assistance Program (SNAP) Cluster				
Direct program:				
Cooperative Forestry Assistance	10.664		124,326	—
Total U.S. Department of Agriculture			208,312	25,269
U.S. Department of Commerce:				
Passed through Monterey Bay Aquarium Research Institute:				
Integrated Ocean Observing System (IOOS)		1411377 1611290		
Passed through The Regents of the University of California:	11.012	NA11NOS0120032	114,192	—
Sea Grant Support	11.417	71780057	154,582	—
Direct program:				
Coastal Zone Management Estuarine Research Reserves	11.420		711,047	—
Passed through Merkel & Associates Incorporated:				
Coastal Zone Management Estuarine Research Reserves	11.420	GS-10F-00607/ AB-133F-14NC-1535	49,323	—
Subtotal CFDA 11.420			760,370	—
Direct program:				
Marine Sanctuary Program	11.429		43,497	—
Direct program:				
Habitat Conservation	11.463		54,420	—
Total U.S. Department of Commerce			1,127,061	—
U.S. Department of Defense:				
Passed through George Mason University:				
Department of Defense (not classified elsewhere)	12.UNK	E203705-1	7,765	—
Direct programs:				
Flood Control Projects	12.106		13,010	—
Basic and Applied Scientific Research	12.300		15,501	—
Passed through National Marine Mammal Foundation:				
Basic and Applied Scientific Research	12.300	SSU-2773	39,610	—
Subtotal CFDA 12.300			55,111	—
Direct program:				
Basic, Applied, and Advanced Research in Science and Engineering	12.630		623,350	—
Direct program:				
Air Force Defense Research Sciences Program	12.800		68,528	—
Total U.S. Department of Defense			767,764	—

CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
U.S. Department of the Interior:				
Direct programs:				
Fish, Wildlife and Plant Conservation Resource Management	15.231		\$ 118,729	—
Challenge Cost Share	15.238		2,414	—
Fish and Wildlife Management Assistance	15.608		14,013	—
Cooperative Endangered Species Conservation Fund	15.615		30,894	7,032
Passed through Fish and Wildlife, California Department of (CDFW):				
Cooperative Endangered Species Conservation Fund	15.615	P1680007 P1680032	60,828	—
Subtotal CFDA 15.615			91,722	7,032
Passed through Fish and Wildlife, California Department of (CDFW):				
State Wildlife Grants	15.634	P1640010	486	—
Direct programs:				
Central Valley Improvement (CVI) Anadromous Fish Restoration Program (AFR)	15.648		74,255	40,337
Research Grants (Generic)	15.650		84,261	—
Earthquake Hazards Reduction Program	15.807		47,162	—
U.S. Geological Survey-Research and Data Collection	15.808		86,842	—
Passed through California Office of Historic Preservation:				
Historic Preservation Fund Grants-In-Aid	15.904	C1410019, C8957510	4,232	—
Direct program:				
Native American Graves Protection and Repatriation Act	15.922		3,839	—
Cooperative Research and Training Programs – Resources of the National Park System	15.945		20,772	—
Direct program:				
National Park Service Conservation, Protection, Outreach, and Education	15.954		25,687	—
Total U.S. Department of the Interior			574,414	47,369
National Aeronautics and Space Administration:				
Direct program:				
Science	43.001		311,455	29,800
Passed through Los Gatos Research:				
Science	43.001	SFSU-1	6,173	—
Passed through Oregon State University:				
Science	43.001	NS251A-A	65,510	—
Passed through Arizona State University, Tempe:				
Science	43.001	15-718	14,303	—
Passed through Space Telescope Science Institute:				
Science	43.001	HST-GO-12950.03-A HST-GO-13297.07-A	16,928	—
Passed through Search for Extraterrestrial Intelligence Institute:				
Science	43.001	SC3202	31,495	—
Subtotal CFDA 43.001			445,864	29,800
Passed through San Jose State University Research Foundation:				
Aeronautics	43.002	21-1614-4877-SFSU 21-1614-4877-SFSU2015	25,737	—
Total National Aeronautics and Space Administration			471,601	29,800
National Science Foundation:				
Direct programs:				
Engineering Grants	47.041		352,141	—
Mathematical and Physical Sciences	47.049		514,079	75,908
Passed through American Physical Society:				
Mathematical and Physical Sciences	47.049	APS090114	7,529	—
Passed through Brigham Young University:				
Mathematical and Physical Sciences	47.049	16-0468	6,227	—
Subtotal CFDA 47.049			527,835	75,908
Direct program:				
Geosciences	47.050		435,815	8,517
Passed through Consortium for Ocean Leadership:				
Geosciences	47.050	BA-120	18,404	—
Passed through Sonoma State University:				
Geosciences	47.050	1061530	1,584	—
Subtotal CFDA 47.050			455,803	8,517

CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
Direct programs:				
Computer and Information Science and Engineering Passed through San Diego State University Research Foundation:	47.070		\$ 26,500	2,115
		SA0000426 A3 SA0000522 SA0000524 SA0000426 A4		
Computer and Information Science and Engineering	47.070		6,798	—
Subtotal CFDA 47.070			33,298	2,115
Direct program:				
Biological Sciences	47.074		1,318,913	—
Passed through University of California, Berkeley: Biological Sciences	47.074	00007925	19,276	—
Passed through Fordham University: Biological Sciences	47.074	FORD0003	5,967	—
Passed through Regents of the University of California San Francisco: Biological Sciences	47.074	9807SC	181,388	—
Subtotal CFDA 47.074			1,525,544	—
Direct programs:				
Education and Human Resources Passed through California State University Sacramento:	47.076		694,210	6,314
		523911 AMENDMENT NO. 523914 523913	17,292	—
Education and Human Resources Passed through The University Foundation at Sacramento State:	47.076			
Education and Human Resources	47.076	MOU HRD-1302873	15,000	—
Passed through Missouri State University: Education and Human Resources	47.076	16043-007	48,960	—
Passed through University Enterprises, Incorporated California State University, Sacramento: Education and Human Resources	47.076	523751, 523951 A523953	24,824	—
Passed through Northeastern University: Education and Human Resources	47.076	502277-78050	73,511	—
Passed through The Regents of the University of California: Education and Human Resources	47.076	00009400 KK1627 A00-1696S004-P056579	135,393	—
Passed through WestEd: Education and Human Resources	47.076	S00028711.0	2,864	—
Passed through University of Texas at El Paso: Education and Human Resources	47.076	226100955B	92,799	—
Subtotal CFDA 47.076			1,104,853	6,314
Direct program:				
Polar Programs	47.078		155,788	145,823
Passed through University of Nevada, Las Vegas: Office of International Science and Engineering	47.079	11-707D-F	16,541	—
Total National Science Foundation			4,171,803	238,677
U.S Department of Veterans Affairs VA Health Administration Center				
Direct program:				
Research and Development	64.054		15,501	—
Total U.S Department of Veterans Affairs VA Health Administration Center			15,501	—
U.S. Environmental Protection Agency:				
Passed through California State Coastal Conservancy: Congressionally Mandated Projects	66.202	CONTRACT NO. 10-030	123,426	—
Passed through Association of Bay Area Governments: National Estuary Program	66.456	CE 00T47801-6	52,780	—
Direct program:				
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		15,000	—
Total U.S. Environmental Protection Agency			191,206	—

CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
U.S. Department of Energy:				
Direct programs:				
U.S. Department of Energy (not classified elsewhere)	81.UNK		\$ 19,115	—
Office of Science Financial Assistance Program	81.049		163,540	—
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117		117,617	—
Passed through Lawrence Livermore National Security, LLC:				
National Nuclear Security Administration Minority Serving Institutions Program	81.123	B620703	10,267	—
Total U.S. Department of Energy			310,539	—
U.S. Department of Education:				
Passed through San Mateo County Community College District:				
Minority Science and Engineering Improvement	84.120	P120A150014	54,291	—
Direct programs:				
Research in Special Education	84.324		792,012	446,417
Investing in Innovation (I3) Fund	84.411		586,521	—
Total U.S. Department of Education			1,432,824	446,417
U.S. Morris K. Udall Foundation:				
Direct program:				
Morris K. Udall Scholarship Program	85.400		149,921	—
Total U.S. Morris K. Udall Foundation			149,921	—
U.S. Department of Health and Human Services:				
Direct programs:				
Environmental Public Health and Emergency Response	93.070		33,750	—
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		11,250	—
Passed through Urban Institute				
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	09349-00-00 #36200	25,086	—
Direct programs:				
Injury Prevention and Control Research and State and Community Based Programs	93.136		7,500	—
Research Related to Deafness and Communication Disorders	93.173		40,290	—
Mental Health Research Grants	93.242		353,474	56,271
Passed through Santa Clara University:				
Mental Health Research Grants	93.242	NIH008-01	32,149	—
Passed through Boston University:				
Mental Health Research Grants	93.242	4500002320	19,007	—
Subtotal CFDA 93.242			404,630	56,271
Direct programs:				
Immunization Cooperative Agreements	93.268		22,500	—
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283		160,876	—
Passed through Stanford University:				
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	60917381-114033	98,959	—
Direct programs:				
Trans-NIH Research Support	93.310		3,657,039	765,466
Behavioral Risk Factor Surveillance System	93.336		414,922	—
PPHF: Health Care Surveillance / Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745		242,941	—
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757		35,846	—
Cardiovascular Diseases Research	93.837		161,802	—
Passed through University of California, San Francisco:				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	8109SC	95,842	—
Direct program:				
Allergy and Infectious Diseases Research	93.855		345,363	32,073

CALIFORNIA STATE UNIVERSITY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
Direct program:				
Biomedical Research and Research Training	93.859		\$ 883,561	—
Passed through University of California, San Francisco:				
Biomedical Research and Research Training	93.859	A120112, 1R15GM116043-01	126,205	—
Subtotal CFDA 93.859			<u>1,009,766</u>	<u>—</u>
Direct program:				
Child Health and Human Development Extramural Research	93.865		294,764	28,344
Passed through Research Foundation for Mental Hygiene, Incorporated:				
Child Health and Human Development Extramural Research	93.865	25999	121,906	—
Subtotal CFDA 93.865			<u>416,670</u>	<u>28,344</u>
Passed through University of Southern California:				
Aging Research	93.866	57764387	133,563	—
Passed through University of California, San Francisco:				
Aging Research	93.866	9913C, 9660SC	23,822	—
Passed through Stanford University:				
Aging Research	93.866	61406136-45510	42,338	—
Subtotal CFDA 93.866			199,723	—
Passed through Stanford University:				
Medical Library Assistance	93.879	61100260-12656-A	39,587	—
Direct program:				
Assistance Programs for Chronic Disease Prevention and Control	93.945		15,000	—
Total U.S. Department of Health and Human Services			<u>7,439,342</u>	<u>882,154</u>
Total Research and Development Cluster			<u>16,860,288</u>	<u>1,669,686</u>
Total expenditures of federal awards			<u>\$ 2,612,173,881</u>	<u>2,705,035</u>

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance.

CALIFORNIA STATE UNIVERSITY
 Notes to Schedule of Expenditures of Federal Awards
 Year ended June 30, 2017

(1) General

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of all federal award programs of the California State University (the University). The University does not consider itself a subrecipient of federal funds when those funds are received as payments for services rendered from individual campus foundations, which are discretely presented component units in the basic financial statements of the University. Accordingly, these amounts are not reflected in the accompanying Schedule.

For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the University and agencies and departments of the federal government and pass-through agencies. The awards are classified into program categories in accordance with the provisions of the Uniform Guidance.

(2) Basis of Accounting

The information in the accompanying Schedule is prepared on the accrual basis of accounting and is also presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(3) Loan Programs

Total loans outstanding under the Federal Perkins Loan Program and the Nursing Student Loan Program are \$77,528,396 and \$2,248,709, respectively, at June 30, 2017. The amounts included in the accompanying Schedule consist of the beginning balances of the loans, loans advanced to students during the year and the administrative cost allowance for the year ended June 30, 2017.

(4) Administrative Cost Allowances

Administrative cost allowances included in the accompanying Schedule are summarized as follows:

Federal Perkins Loan Program	\$	886,012
Federal Pell Grant Program		851,395
Federal Work-Study Program		467,421
Federal Supplemental Educational Opportunity Grant Program		149,548
Total administrative cost allowances	\$	2,354,376

(5) Indirect Cost Rate

The University did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414. For all sponsored programs where indirect costs are allowed to be claimed, the rates approved by the University's cognizant agency were used.

CALIFORNIA STATE UNIVERSITY
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2017

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on financial statements: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes No
- Noncompliance material to the financial statements noted? Yes None Reported

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Significant deficiencies in internal control over major programs Yes None Reported

Type of auditors' report issued on compliance for major programs: Unmodified opinion

Any audit findings that are required to be reported in accordance with 2 CFR 200.516 of Uniform Guidance Yes No

Identification of Major Programs

CFDA number(s)	Name of federal program or cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, and 93.364	Student Financial Assistance Cluster
93.658	Foster Care Title IV-E
84.325	Special Education Personnel Development to Improve Services and Results for Children with Disabilities

Dollar threshold used to distinguish between Type A and Type B programs: \$1,249,741

Auditee qualified as low-risk auditee? Yes No

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None noted

(3) Findings and Questioned Costs Relating to Federal Awards

2017-001

Compliance requirement:	Disbursements To and On Behalf of Students
Campus:	Fullerton, Pomona, and Sacramento
Cluster name/program:	Student Financial Assistance Cluster
CFDA number:	84.268 Federal Direct Student Loans 84.038 Federal Perkins Loan Program
Federal agency:	U.S. Department of Education
Passed through entity:	None
Award year:	July 1, 2016 through June 30, 2017

Criteria or Specific Requirement

Per 34 CFR Section 668.165, with respect to each disbursement of Federal Direct Loans or Federal Perkins Loans, institutions must notify the student or parent in writing to communicate the date and amount of the disbursement and of the student's or parent's right to cancel all or a portion of the loan or loan disbursement and have the loan proceeds returned to the holder of the loan. This notification must be made no earlier than 30 days before and no later than 30 days after each loan disbursement if the campus has implemented an affirmative confirmation process and no later than seven days after disbursement if they have not implemented an affirmative confirmation process.

Condition Found and Context

During our testwork, we haphazardly selected 65 samples of notifications for federal loan disbursements made to students from five campuses and noted the following:

- We identified 6 student notifications that were not sent to the students.
- We identified 12 student notifications that were not performed in a timely manner. The notifications were sent up to 63 days after the date of loan disbursement.

Since student notifications were late or missing information at three of the five campuses sampled, we consider this to be a significant deficiency in internal control over the compliance requirement for disbursements to and on behalf of students.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

Cause and Effect

The notification noncompliance at the three campuses resulted from not having a control in place that was properly designed to ensure that notifications sent to students or parents have met all federal requirements. The effect of these loan notifications not being made eliminates the students' right to cancel and could lead to students borrowing funds and not realizing the long-term financial commitment.

Sampling

Not statistical

Isolated or Systemic

Systemic

Questioned Costs

None noted

Repeat Finding

Yes, however, different campus locations were sampled in the current year.

Recommendation

We recommend that the University put controls in place in its system that would automatically send a loan notification based on disbursements of loan proceeds made in the student financial aid system. In addition, we recommend that the University maintain these e-mail notifications as part of the student's electronic file to provide evidence that these notifications were performed.

Views of Responsible Officials

The University concurs with the recommendation. Campuses will review and revise procedures and processes to ensure timely and accurate student notifications related to Federal Direct and Perkins loan disbursements, including documentation that notification was sent.

2017-002

Compliance requirement:	Enrollment Reporting
Campus:	Fresno, Fullerton, Pomona, Sacramento, and San Diego
Cluster name/program:	Student Financial Assistance Cluster
CFDA number:	84.268 Federal Direct Student Loans 84.038 Federal Perkins Loan Program
Federal agency:	U.S. Department of Education
Passed through entity:	None
Award year:	July 1, 2016 through June 30, 2017

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

Criteria or Specific Requirement

Per 34 CFR Section 685.309, institutions with direct loan programs must complete and return to the National Student Loan Data System for Students (NSLDS) within 30 days the enrollment reporting roster file provided by NSLDS, unless the school expects to complete the next roster within 60 days, then they must return it within 60 days. The institution must update changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and then submit changes electronically to the NSLDS, for the purpose of providing complete and accurate data to lenders regarding enrollment status so they may properly determine when repayment of the loans should begin.

Condition Found and Context

During our testwork, we haphazardly selected 65 students from five campuses that withdrew or graduated during the year that have direct loans that we tested for reporting the change of status to NSLDS and noted the following:

- We identified six students where their change in status was not reported to the NSLDS within the 30/60-day reporting period. For these students, status was communicated between 5-96 days late.
- We identified nine students with status changes that were not accurately reported to NSLDS.
- We identified one student with status change that was not reported to NSLDS.

Since late or inaccurate enrollment status reporting in conjunction with inadequate documentation of controls was identified at five of the five campuses sampled, we consider this to be a significant deficiency in internal control over the compliance requirement for enrollment status reporting.

Cause and Effect

All campuses utilize the services of the National Student Clearinghouse (NSC) to assist in the reporting of enrollment status changes to NSLDS. NSC generally requires approximately 45 days to submit information provided to them by institutions to NSLDS. The cause of the late or inaccurate submissions was caused by each of the five campuses relying on the NSC, and as such, were not performing their own independent checks of data received by NSLDS, or properly accounting for the time lag incurred by NSLDS in the processing of changes. The effect of these status changes not being reported timely is that the repayment of outstanding loan balances to the lenders is not started and payment to them is delayed.

Sampling

Not statistical

Isolated or Systemic

Systemic

Questioned Costs

None noted

Repeat Finding

Yes, however, different campus locations were sampled in the current year.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

Recommendation

We recommend the University select a sample of students from each transmission sent to the NSC and compare the information received by NSLDS against what was sent to the NSC to ensure the information was transmitted by NSC accurately and timely. In addition, we recommend that the University conduct this sample prior to the 60-day deadline to ensure that disbursement information is reported timely.

Views of Responsible Officials

The University concurs with the recommendation. Campuses will review their policies and procedures and devise appropriate internal controls to ensure the timely and accurate reporting of student status changes, including data provided on behalf of the campus by the NSC.

2017-003

Compliance requirement:	Verification
Campus:	Pomona
Cluster name/program:	Student Financial Assistance Cluster
CFDA number:	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, and 93.364
Federal agency:	U.S. Department of Education
Passed through entity:	None
Award year:	July 1, 2016 through June 30, 2017

Criteria or Specific Requirement

Title 34 Education. Chapter VI – Office of Postsecondary Education, Department of Education. Part 668 Student Assistance General Provisions. Subpart E Verification of Student Aid Application Information. Sec. 668.56 Items to be verified. (a) Except as provided in paragraphs (b), (c), (d), and (e) of this section, an institution shall require an applicant selected for verification under Sec. 668.54(a)(2) or (3) to submit acceptable documentation described in Sec. 668.57 that will verify or update the following information used to determine the applicant's Expected Family Contributions (EFC): (2) U.S. income tax paid for the base year data was used in determining eligibility.

Condition Found and Context

During our testwork, we haphazardly selected 65 students from five campuses that received Federal Financial Aid awards during the year that were also selected for verification under Sec. 668.54(a)(2) or (3) and noted the following:

- We identified one student where the student's AGI was incorrectly verified, resulting in a miscalculation of the student's EFC and an over-award of Pell grant by \$800. We verified that the campus returned the over-award amount to the Department of Education within the same academic year.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

The questioned cost is likely over \$25,000, if extrapolated over the entire Pell Grant awards disbursed population. We consider this to be a significant deficiency in internal control over the compliance requirement for verification.

Cause and Effect

Information reported on the campus verification worksheets did not match the information reported on the Institutional Student Information Record (ISIR), which could result in the use of inaccurate amounts in the determination of financial aid awards. The exception impacted the value of awards granted to the student in our selected sample.

Sampling

Not statistical

Isolated or Systemic

Isolated

Questioned Costs

Over-award of Pell Grant known amounts of \$800.

Repeat Finding

No

Recommendation

We recommend that the University put controls in place to ensure that applicant data is properly verified. In addition, any discrepancies in student data reported in the ISIR should be properly resolved and reported to the Department of Education.

Views of Responsible Officials

The University concurs with the recommendation. Campuses have taken steps to further strengthen internal controls to ensure application data is properly verified and any discrepancies in ISIR are properly resolved and reported to the Department of Education.

AGENDA

COMMITTEE ON COLLECTIVE BARGAINING

Meeting: 9:30 a.m., Tuesday, January 30, 2018
Munitz Conference Room—Closed Session
Government Code §3596(d)

10:30 a.m., Wednesday, January 31, 2018
Glenn S. Dumke Auditorium —Open Session

Adam Day, Chair
Lateefah Simon, Vice Chair
John Nilon
J. Lawrence Norton
Jorge Reyes Salinas
Peter Taylor

Open Session– Glenn S. Dumke Auditorium

- Consent** 1. Approval of Minutes of the Meeting of November 8, 2017, *Action*
- Discussion** 2. Ratification of the Successor Collective Bargaining Agreement with Bargaining Units 2, 5, 7, and 9, the California State University Employees Union (CSUEU), SEIU Local 2579, *Action*
3. Ratification of the Successor Collective Bargaining Agreement with Bargaining Unit 4, Academic Professionals of California (APC), *Action*
4. Ratification of the Successor Collective Bargaining Agreement with Bargaining Unit 10, International Union of Operating Engineers, Stationary Engineers (IUOE), Local 39, AFL-CIO, *Action*
5. Adoption of Initial Proposals for a Successor Collective Bargaining Agreement with Bargaining Unit 8, the Statewide University Police Association (SUPA), *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON COLLECTIVE BARGAINING**

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

November 8, 2017

Members Present

Adam Day, Chair
John Nilon
Jorge Reyes-Salinas
Peter J. Taylor
Rebecca Eisen, Chair of the Board
Timothy P. White, Chancellor

Chair Day called the Committee on Collective Bargaining to order.

Approval of Minutes

The minutes of the July 18, 2017 meeting were approved as submitted.

Presentation of Action Item

Vice Chancellor Melissa Bard presented the action item.

Public Speakers

The committee heard from 21 public speakers who spoke on various topics.

Action Item

The committee then unanimously approved the following action item:

1. Ratification of the extension for Collective Bargaining Agreement with Bargaining Unit 3, the California Faculty Association until the year 2020.

Chair Day then adjourned the committee meeting.

COMMITTEE ON COLLECTIVE BARGAINING

Ratification of the Successor Collective Bargaining Agreement with Bargaining Units 2, 5, 7, and 9, the California State University Employees Union (CSUEU), SEIU Local 2579

Presentation By

Melissa Bard
Vice Chancellor
Human Resources

Summary

The successor collective bargaining agreement between the California State University and Bargaining Units 2, 5, 7, and 9, the California State University Employees Union (CSUEU), SEIU Local 2579, will be presented to the Board of Trustees for ratification.

Recommended Action

The following resolution is recommended for ratification:

RESOLVED, by the Board of Trustees of the California State University, that the successor collective bargaining agreement between the California State University and Bargaining Units 2, 5, 7, and 9, the California State University Employees Union (CSUEU), SEIU Local 2579, is hereby ratified.

COMMITTEE ON COLLECTIVE BARGAINING

Ratification of the Successor Collective Bargaining Agreement with Bargaining Unit 4, Academic Professionals of California (APC)

Presentation By

Melissa Bard
Vice Chancellor
Human Resources

Summary

The successor collective bargaining agreement between the California State University and Bargaining Unit 4, Academic Professionals of California (APC), will be presented to the Board of Trustees for ratification.

Recommended Action

The following resolution is recommended for ratification:

RESOLVED, by the Board of Trustees of the California State University, that the successor collective bargaining agreement between the California State University and Bargaining Unit 4, Academic Professionals of California (APC), is hereby ratified.

COMMITTEE ON COLLECTIVE BARGAINING

Ratification of the Successor Collective Bargaining Agreement with Bargaining Unit 10, International Union of Operating Engineers, Stationary Engineers (IUOE), Local 39, AFL-CIO

Presentation By

Melissa Bard
Vice Chancellor
Human Resources

Summary

The successor collective bargaining agreement between the California State University and Bargaining Unit 10, International Union of Operating Engineers, Stationary Engineers (IUOE), Local 39, AFL-CIO, will be presented to the Board of Trustees for ratification.

Recommended Action

The following resolution is recommended for ratification:

RESOLVED, by the Board of Trustees of the California State University, that the successor collective bargaining agreement between the California State University and Bargaining Unit 10, International Union of Operating Engineers, Stationary Engineers (IUOE), Local 39, AFL-CIO, is hereby ratified.

COMMITTEE ON COLLECTIVE BARGAINING

Adoption of Initial Proposals for a Successor Collective Bargaining Agreement with Bargaining Unit 8, the Statewide University Police Association (SUPA)

Presentation By

Melissa Bard
Vice Chancellor
Human Resources

Summary

The initial proposals for a successor collective bargaining agreement between the California State University and Bargaining Unit 8, the Statewide University Police Association (SUPA), will be presented to the Board of Trustees for adoption.

Recommended Action

The following resolution is recommended for ratification:

RESOLVED, by the Board of Trustees of the California State University, that the initial proposals for a successor collective bargaining agreement between the California State University and Bargaining Unit 8, the Statewide University Police Association (SUPA) is hereby adopted.



**The California State University's
Initial Collective Bargaining**

Proposals

Between

The Board of Trustees

of

The California State University

And

**The Statewide University Police Association
(Unit 8)**

Unit 8

2018 Successor Agreement Negotiations

California State University Bargaining Proposals

ARTICLE 2 – Definitions

The University will propose amendments to the existing definitions with the purpose of improving operational effectiveness.

ARTICLE 5 – Association Rights

The University will propose amendments to the existing article to improve operational effectiveness and to promote efficiency and fairness.

ARTICLE 9 – Citizen’s Complaint

The University will propose amendments to the existing article to promote efficiency and fairness.

ARTICLE 11 – Probationary Period

The University will propose amendments to the existing article to improve operational effectiveness and to promote officer safety.

ARTICLE 13 – Hours of Work, Overtime and Scheduling

The University will propose amendments to the existing article to improve operational effectiveness and to promote efficiency and fairness while keeping campuses safe and secure.

ARTICLE 17 –Benefits

The University will make proposals in relation to employee benefits.

ARTICLE 18 – Vacation

The University will propose amendments to the existing article to improve operational effectiveness and to promote efficiency and fairness.

ARTICLE 21 – Salary

The University will make proposals on salary.

ARTICLE 22 – Leaves of Absence with Pay

The University will propose amendments to the existing article to improve operational effectiveness and to promote efficiency and fairness.

The University reserves the right to add to, modify, or delete proposals for any/all Articles during the course of negotiations, in accordance with applicable laws.

DAVID P. MASTAGNI
JOHN R. HOLSTEDT
MICHAEL D. AMICK
CRAIG E. JOHNSON
BRIAN A. DIXON
STEVEN W. WELTY
STUART C. WOOD
DAVID E. MASTAGNI
RICHARD J. ROMANSKI
PHILLIP R.A. MASTAGNI
KATHLEEN N. MASTAGNI STORM
SEAN D. HOWELL
WILLIAM F. CREGER
SEAN D. CURRIN
ISAAC S. STEVENS
PAUL T. DOLBERG
JEFFREY R.A. EDWARDS
DANIEL L. OSIER
JUDITH A. ODBERT
ANDREW R. MILLER
ERIN M. DERVIN
EDWARD W. LESTER
KENNETH E. BAÇON
KEVIN A. FLAUITT
GREGORY G. GOMEZ
ACE T. TATE

Sacramento Office
1912 I Street
Sacramento, CA
95811-3151
(916) 446-4692
Fax (916) 447-4614
Tax ID #94-2678460



www.mastagni.com
All Correspondence to Sacramento Office

Ontario Office
3400 Inland Empire Blvd STE 101
Ontario, CA
91764-5577
(909) 476-3560

Chico: (530) 895-3836
San Jose: (408) 292-4802
Stockton: (209) 948-6158

JOHN H. BAKHIT
GRANT A. WINTER
IAN B. SANGSTER
JOSHUA A. OLANDER
CAMERON S. HUEY
DUSTIN C. INGRAHAM
LAURIE E. DANIELS
SHAWN B. COLLINS
TASHAYLA D. BILLINGTON
DAVID L. KRUCKENBERG
HOWARD A. LIBERMAN
CEZAR J. TORREZ
DANIEL L. RAINSBURY
JOHN J. BOSTANZOGLU
GREGORY J. THOMING
PHILLIP J. EBSWORTH
MITCHELL A. DE ANDA
BRENDAN B. ROCHFORD
ZEBULON J. DAVIS
KEVIN R. WIEMER
ANDREW S. DORJOTT
EMILY J. GUERRA
ILONA MANGYUK
BENJAMIN E. CARNEY
JOSEPH M. JEE
DOUGLAS T. GREEN

January 11, 2018

Sent via Electronic Mail Only

John Swarbrick, Chief Negotiator & Senior Labor Relations Advisor
The California State University
Office of the Chancellor
401 Golden Shore
Long Beach, CA 90802-4210
Via e-mail: jswarbrick@calstate.edu

RE: State University Police Association's Initial Proposals for 2018 Successor Bargaining Agreement

Dear,

Pursuant to Article 30 of the Collective Bargaining Agreement between the California State University Police Association (SUPA) and the Board of Trustees of the California State University, SUPA presents this list of initial proposals to commence bargaining for a successor agreement. The current agreement is set to expire on June 30, 2018.

ARTICLE 2, DEFINITIONS:

- To clean up the language.
- To identify the intent of what an "Emergency" is.

ARTICLE 3, MANAGEMENT RIGHTS:

- SUPA will be proposing to include the Association members' rights under POBR and HEERA.

ARTICLE 5, ASSOCIATION RIGHTS:

- SUPA will be proposing to modify, clean up and update items throughout this Article.

ARTICLE 6, CONCERTED ACTIVITIES:

- SUPA will be proposing to clean up the language and intent relating to discipline and grievances.

Attachment B

CB - Agenda Item 5

January 29-31, 2018

Page 2 of 3

ARTICLE 7, GRIEVANCE PROCEDURE:

- SUPA will be proposing to modify, clean up and update language throughout this Article.
- SUPA will also be proposing to make the timelines consistent throughout the Article as well as to clean up language and update the Arbitration section.
- SUPA will also be proposing to update and clarify release time.

ARTICLE 8, RULES AND REGULATIONS:

- SUPA will be proposing to add language relating to the requirements under HEERA and to update and clean up language in the Article.

ARTICLE 9, CITIZENS'S COMPLAINT:

- SUPA will be proposing to discuss removing Article as it is a Policy, not a subject of Collective Bargaining Agreement.

ARTICLE 10, EMPLOYEE SAFETY:

- SUPA will be proposing to clean up language.
- SUPA will also be proposing to update vehicle safety criteria and add additional employee equipment.
- SUPA will also be proposing to update and clarify established procedures for providing police back-up service.

ARTICLE 11, PROBATIONARY PERIOD:

- SUPA will be proposing to clean up the language and update the probationary period for lateral moves.

ARTICLE 12, APPOINTMENT/PROMOTION:

- SUPA will be proposing regional testing and changes to the promotional process.
- SUPA will also be proposing to clean up the language throughout this Article.

ARTICLE 13, HOURS OF WORK, OVERTIME AND SCHEDULING:

- SUPA will be proposing modifications to the work period and work scheduling process as well as the overtime process.

ARTICLE 14, BARGAINING UNIT WORK:

- SUPA will be proposing modifications to non-unit members and Dispatcher duties.

ARTICLE 15, OUT OF CLASS WORK:

- SUPA will be proposing to modify and clean up the language in this Article.

ARTICLE 16, OUTSIDE EMPLOYMENT:

- SUPA will be proposing to clarify the intent of the current language as well as update and modify the language in this Article.

ARTICLE 17, BENEFITS:

- SUPA will be proposing to modify and in some cases, increase the benefits listed in this Article.
- SUPA will also be proposing to clarify and clean up some of the language in this Article.

ARTICLE 18, VACATION:

- SUPA will be proposing modifications and increases to the accrual and use sections of this Article.

ARTICLE 19, HOLIDAYS:

- SUPA will be proposing language clean up and modifications.

ARTICLE 20, EMPLOYEE EDUCATION:

- SUPA will be proposing to increase the amount of CSU courses and how the program is administered.

ARTICLE 21, SALARY:

- SUPA will be proposing changes throughout this Article to increase compensation.

ARTICLE 22, LEAVES OF ABSENCE WITH PAY:

- SUPA will be proposing minor modifications and language clean up throughout this Article.

ARTICLE 23, LEAVES OF ABSENCE WITHOUT PAY:

- SUPA will be proposing language clean up in this Article.

ARTICLE 24, UNAUTHORIZED LEAVES OF ABSENCE:

- SUPA will be proposing language clean up in this Article.

ARTICLE 25, LAYOFF:

- SUPA will be proposing to clean up and modify some of the language in this Article.

SUPA reserves the right to add to, modify or delete these proposals as well as introduce new proposals during the course of negotiations.

Very Truly Yours,

MASTAGNI HOLSTEDT

Stephen D. Leonesio
Labor Relations Consultant

CC: Julie Doi, Senior Manager of Labor Relations (via email only: jdoi@calstate.edu)
Rene Castro, Assistant Vice Chancellor (via email only: rcastro@calstate.edu)
Jeff Solomon, SUPA President

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

California State University
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, CA 90802

January 31, 2018

Presiding: Rebecca D. Eisen, Chair

11:15 a.m. Board of Trustees

Dumke Auditorium

Call to Order

Roll Call

Public Speakers

Chair's Report

Report of the Academic Senate CSU: *Chair—Christine Miller*

Report of the California State Student Association: *President—Maggie White*

Report of the California State University Alumni Council: *President—Manolo P. Morales*

Consent

- Action* 1. Approval of the Minutes of the Board of Trustees Meeting of November 8, 2017
Action 2. Approval of Committee Resolutions as follows:

Committee on Institutional Advancement

2. Naming of The Ernest E. Tschannen Science Complex – California State University, Sacramento
3. Naming of the Oppenheimer Family Riding Pavilion, Oppenheimer Family Stallion Barn and Oppenheimer Family Foaling Barn – California Polytechnic State University, San Luis Obispo
4. Annual Report on Donor Support for 2016-2017

Committee on Finance

2. Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University, Los Angeles and California State University Maritime Academy

*The Board of Trustees is a public body, and members of the public have a right to attend and participate in its meetings. This schedule of meetings is established as a best approximation of how long each scheduled meeting will take to complete its business. Each meeting will be taken in sequence, except in unusual circumstances. Depending on the length of the discussions, which are not possible to predict with precision in advance, the scheduled meeting times indicated may vary widely. The public is advised to take this uncertainty into account in planning to attend any meeting listed on this schedule.

Committee on University and Faculty Personnel

- 2. Executive Compensation: President – San Diego State University
- 3. Executive Compensation: President – California State University, Fullerton
- 4. Executive Compensation: Executive Vice Chancellor and General Counsel – California State University

Committee on Campus Planning, Buildings and Grounds

- 2. California State University Maritime Academy Master Plan Revision and Real Property Acquisition
- 3. California State University, Chico Siskiyou II Science Replacement (Seismic) Building
- 4. California State University, East Bay Master Plan Revision
- 5. California State University, San Bernardino Master Plan Revision for Palm Desert Off-Campus Center

Joint Committees on Finance and Campus Planning, Buildings and Grounds

- 2. Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments and Approval of Related Actions for the Extended Learning Building and Parking Structure Project at California State University San Marcos

Discussion

Action 3. Conferral of Commendation—President Mildred García

12:30 p.m.

Board of Trustees—Closed Session

Executive Personnel Matters
Government Code §11126(a)(1)

Munitz Conference Room

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**MINUTES OF THE MEETING
OF BOARD OF TRUSTEES**

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

November 8, 2017

Trustees Present

Rebecca D. Eisen, Chair
Adam Day, Vice Chair
Silas H. Abrego
Jane Carney
Douglas Faigin
Debra S. Farar
Jean Picker Firstenberg
Emily Hinton
Lillian Kimbell
Thelma Meléndez de Santa Ana
Hugo N. Morales
John Nilon
Larry Norton
Jorge Reyes Salinas
Romey Sabalius
Peter Taylor
Timothy P. White, Chancellor

Chair Eisen called the meeting of the Board of Trustees to order.

Public Comment

The board heard from the following individuals during the public comment period: William Blischke, President, CSU Emeritus and Retired Faculty Association (CSU-ERFA); Skye Dent, Community member and former CSU adjunct faculty; Steven Filling, ASCSU; Brian Burkhart, Director/Associate Professor, American Indian Studies, CSU Northridge; Linda Hobbs, CSU Dominguez Hills; Pat Gantt, President (CSUEU); Rocky Sanchez, VP for Representation (CSUEU); Neil Jacklin, VP for Organizing (CSUEU); Tessy Reese, Chair Bargaining Unit 2 (CSUEU); Mike Chavez, Chair Bargaining Unit 5 (CSUEU); Rich McGee, Chair Bargaining Unit 9 (CSUEU); Ricardo Uc, Vice Chair Bargaining Unit 9 (CSUEU); Pam Robertson, (CSUEU); Freddy De La Paz, CSU, Northridge (SQUE); Ioselyn Ramirez, student, CSU Dominguez Hills (SQUE); Janet Valenzuela, CSU, Northridge (SQUE); Asia Gonzales, student, CSU Long Beach (SQUE); Britney Lopez, student, CSU Northridge (SQUE)

BOT
Agenda Item 1
January 29-31, 2018

Chair's Report

Chair Eisen's complete report can be viewed online at the following URL:
<https://www2.calstate.edu/csu-system/board-of-trustees/reports-of-the-chair/Pages/november-2017.aspx>

Chancellor's Report

Chancellor Timothy P. White's complete report can be viewed online at the following URL:
<https://www2.calstate.edu/csu-system/board-of-trustees/chancellor-reports/Pages/November-8-2017.aspx>

Report of the Academic Senate CSU

CSU Academic Senate Chair, Christine M. Miller's complete report can be viewed online at the following URL: http://www.calstate.edu/AcadSen/Records/Chairs_Reports/

Report from the California State Student Association

CSSA President Maggie White's complete report can be viewed online at the following URL:
http://www.calstatestudents.org/wp-content/uploads/2017/11/11-17-bot_report_white.pdf

Report of the California State University Alumni Council

Alumni Council President, Manolo P. Morales' complete report can be viewed online at the following URL: <http://www.calstate.edu/alumni/council/bot/20171108.shtml>

Board of Trustees

The minutes of the meeting of September 20, 2017 were approved as submitted. Chair Eisen asked to move all the consent items for approval. There was a second. The Board of Trustees approved the following resolutions:

Committee on Institutional Advancement

Naming of the Dale and Katy Carlsen Center for Innovation and Entrepreneurship – California State University, Sacramento (RIA 11-17-10)

RESOLVED, by the Board of Trustees of the California State University, that the Center for Innovation and Entrepreneurship at California State University, Sacramento, be named The Dale and Katy Carlsen Center for Innovation and Entrepreneurship.

**Naming of the Epstein Family Veterans Center – California State University San Marcos
(RIA 11-17-11)**

RESOLVED, by the Board of Trustees of the California State University, that the Veterans Center at California State University San Marcos be named as the Epstein Family Veterans Center.

Committee on Finance

**Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University, San Bernardino and California State University, Stanislaus
(RFIN 11-17-14)**

Orrick, Herrington & Sutcliffe LLP, as bond counsel, prepared resolutions presented in agenda item 1 on the Committee on Finance at the November 7-8, 2017 Board of Trustees' meeting that authorize interim and permanent financing for the projects described in the agenda item. The proposed resolutions were distributed at the meeting and will achieve the following:

1. Authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of related Systemwide Revenue Bond Anticipation Notes, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not-to-exceed \$110,575,000 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 assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes and the revenue bonds.

**2018-2019 Lottery Budget and Report
(RFIN 11-17-15)**

RESOLVED, by the Board of Trustees of the California State University, that the 2018-2019 lottery budget totaling \$52.6 million be approved for implementation by the chancellor, with the authorization to make transfers between components of the lottery budget and to adjust expenditures in accordance with receipt of lottery funds; and be it further

BOT
Agenda Item 1
January 29-31, 2018

RESOLVED, that the chancellor is hereby granted authority to adjust the 2018-2019 lottery budget approved by the Board of Trustees to the extent that receipts are greater or less than budgeted revenue to respond to opportunities or exigencies; and be it further

RESOLVED, that a report of the 2018-2019 lottery budget receipts and expenditures be made to the Board of Trustees.

**Approval of the 2018-2019 Operating Budget Request
(RFIN 11-17-16)**

RESOLVED, that the Board of Trustees of the California State University acknowledges and expresses its appreciation to the governor and legislature for their increased budget support; and be it further

RESOLVED, that the Board of Trustees understands there are numerous competing interests for budgetary support given the fiscal constraints and competing policy priorities under which California continues to operate; and be it further

RESOLVED, that the future of California rests on CSU's ability to provide a high-quality, affordable, and accessible education to hundreds of thousands of students; and be it further

RESOLVED, by the Board of Trustees that the proposed CSU 2018-2019 Operating Budget Request is approved as submitted by the chancellor; and be it further

RESOLVED, that the chancellor is authorized to adjust and amend this budget to reflect changes in the assumptions upon which this budget is based, and that any changes made by the chancellor be communicated promptly to the trustees; and be it further

RESOLVED, that copies of this resolution be transmitted to the governor, to the director of the Department of Finance, and to the legislature.

**Approval of a New Master Investment Policy for the California State University
(RFIN 11-17-17)**

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

1. Approve the Master Investment Policy for the California State University as presented in Agenda Item 5 and included as Attachment B of the November 7-8, 2017, meeting on the Committee on Finance;
2. Authorize the chair of the Committee on Finance; the chancellor; the executive vice chancellor and chief financial officer; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all actions necessary under delegated authority to implement this resolution.

This resolution supersedes RFIN 11-13-09 and shall take effect immediately upon approval by the Board of Trustees.

Committee on Campus Planning, Building and Grounds

Parking Structure E for California State University, Los Angeles (RCPBG 11-17-15)

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

1. The California State University, Los Angeles Parking Structure E project is consistent with the Campus Master Plan approved in May 2017.
2. The project will benefit the California State University.
3. The 2017-2018 Capital Outlay Program is amended to include \$62,213,000 for preliminary plans, working drawings, and construction for the California State University, Los Angeles Parking Structure E project.
4. The schematic plans for the California State University, Los Angeles Parking Structure E project are approved at a project cost of \$62,213,000 at CCCI 6255.

Student Union Renovation and Expansion for California State University, San Bernardino (RCPBG 11-17-16)

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

1. The California State University, San Bernardino Student Union Renovation and Expansion is consistent with the Campus Master Plan approved in September 2017.
2. The project will benefit the California State University.

BOT
Agenda Item 1
January 29-31, 2018

3. The 2017-2018 Capital Outlay Program is amended to include \$88,000,000 for preliminary plans, working drawings, construction, and equipment for the California State University, San Bernardino Student Union Renovation and Expansion project.
4. The schematic plans for California State University, San Bernardino Student Union Renovation and Expansion are approved at a project cost of \$88,000,000 at CCCI 6255.

**Approval of the 2018-2019 Capital Outlay Program and the 2018-2019 through 2022-2023 Five-Year Facilities Renewal and Improvement Plan
(RCPBG 11-17-17)**

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

1. The 2018-2019 through 2022-2032 Academic and Self-Support Funded Five-Year Capital Improvement Plan totaling \$8.2 billion and \$5.9 billion, respectively, are approved.
2. The 2018-2019 Academic Capital Outlay Program included in the five-year program distributed with the agenda is approved at \$1.4 billion.
3. The 2018-2019 Self-Support Funded Capital Outlay Program included in the five-year program is approved at \$14 million.
4. The chancellor is authorized to proceed in 2017-2018 with design and construction to fast-track projects in the 2018-2019 program.
5. The chancellor is requested to explore all reasonable funding methods available and communicate to the board, the governor, and the legislature the need to provide funds to develop the facilities necessary to serve the academic program and all eligible students.
6. The chancellor is authorized to make adjustments to the 2018-2019 Capital Outlay Program, including the priority sequence, scope, phase, project cost, financing source, and total budget request for the Program and report budget adjustments in the subsequent Five-Year Plan.

Committee on University and Faculty Personnel

**Annual Report on Outside Employment for Senior Management Employees
(RUF 11-17-06)**

RESOLVED, by the Board of Trustees of the California State University, that the 2016 Senior Management Outside Employment Disclosure Report, as cited in Item 1 of the Committee on University and Faculty Personnel at the November 7-8, 2017 meeting of the Board of Trustees, is approved.

Committee on Committees

**Amendment to the Board of Trustees' Committee Assignments for 2017-2018
(RCOC 11-17-04)**

RESOLVED, by the Board of Trustees of The California State University, on recommendation by the Committee on Committees that the following amendments be made to the Standing Committees for 2017-2018.

AUDIT

Douglas Faigin, Chair
Hugo N. Morales, Vice Chair
Silas H. Abrego
Lillian Kimbell
Peter J. Taylor

**CAMPUS PLANNING,
BUILDINGS AND
GROUNDS**

John Nilon, Chair
Jane W. Carney, Vice Chair
Adam Day
Thelma Meléndez de Santa Ana
Romey Sabalius
~~Steven G. Stepanek~~
Peter J. Taylor

COLLECTIVE BARGAINING

Adam Day, Chair
Lateefah Simon, Vice Chair
John Nilon
J. Lawrence Norton
Jorge Reyes Salinas
Peter J. Taylor

EDUCATIONAL POLICY

Lillian Kimbell, Chair
Jorge Reyes Salinas, Vice Chair
Silas H. Abrego
Jane W. Carney
Douglas Faigin
Debra S. Farar
Jean P. Firstenberg
Thelma Meléndez de Santa Ana
John Nilon
J. Lawrence Norton
Romey Sabalius
~~Steven G. Stepanek~~

FINANCE

Peter J. Taylor, Chair
John Nilon, Vice Chair
Jane W. Carney
Adam Day
Hugo N. Morales
Jorge Reyes Salinas
Lateefah Simon

GOVERNMENTAL RELATIONS

J. Lawrence Norton, Chair
Douglas Faigin, Vice Chair
Silas H. Abrego
Adam Day
Debra S. Farar
Jean P. Firstenberg
Lillian Kimbell
Thelma Meléndez de Santa Ana
Jorge Reyes Salinas
Romey Sabalius
Lateefah Simon
~~Steven G. Stepanek~~

BOT
Agenda Item 1
January 29-31, 2018

INSTITUTIONAL ADVANCEMENT

Silas H. Abrego, Chair
Jean P. Firstenberg, Vice Chair
Debra S. Farar
Hugo N. Morales
J. Lawrence Norton
~~Steven G. Stepanek~~

ORGANIZATION AND RULES

Thelma Meléndez de Santa Ana, Chair
Jane W. Carney, Vice Chair
Silas H. Abrego
Douglas Faigin
Lateefah Simon

UNIVERSITY AND FACULTY

PERSONNEL

Hugo N. Morales, Chair
Debra S. Farar, Vice Chair
Douglas Faigin
Jean P. Firstenberg
Lillian Kimbell

Board of Trustees

**Protections for Dreamer Students, Alumni and Employees
(RBOT 11-17-02)**

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

1. The Board of Trustees expressly recognizes and commends the contributions of our Dreamer students, alumni and employees, as their unique experiences enrich CSU campuses and the pursuit of their dreams enriches the State of California.
2. The Board of Trustees encourages trustees, the chancellor, presidents, the CSU Office of Federal Relations, CSU advocates and the many other members of the university community to coordinate with local and national partners to advocate in support of DACA or similar protections consistent with the CSU mission, while urging representatives, senators and the president to work together to provide a long-term bipartisan solution for Dreamers.
3. The Board of Trustees encourages system and campus leaders to work together and with local, state and federal leaders to pursue all legal means and available resources to support Dreamers – including grants, scholarships, mental health services and legal support – and to communicate broadly information about these resources and services.
4. The Board of Trustees calls for support of the provision of timely, long-term protections that provide clarity and certainty for the Dreamer community.

**Conferral of the Title of Faculty Trustee Emeritus–Steven G. Stepanek
(RBOT 11-17-03)**

RESOLVED, by the Board of Trustees of the California State University, that this board confers the title of Faculty Trustee Emeritus on Steven G. Stepanek, with all the rights and privileges thereto.

BOARD OF TRUSTEES

Conferral of Commendation—President Mildred García

Presentation By

Timothy P. White
Chancellor

Summary

It is recommended that President Mildred García be commended for her dedication and leadership to California State University, Fullerton; California State University, Dominguez Hills; and the California State University.

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that this board commends President Mildred García for her dedication and leadership on behalf of the students, faculty, staff, administrators, alumni and friends of California State University, Fullerton; California State University, Dominguez Hills; and the California State University.