MINUTES OF MEETING OF CSU INSTITUTE BOARD

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

> June 23, 2014 2:00 pm – 2:20 pm

Board Directors Present

- 1. Timothy P. White, Chair
- 2. Ephraim P. Smith, Secretary
- 3. Steve W. Relyea, Treasurer
- 4. Garrett Ashley, Director
- 5. Gail Brooks, Director

Staff Present

- 1. George V. Ashkar, Assistant Vice Chancellor, Financial Services
- 2. Robert Eaton, Acting Deputy Assistant Vice Chancellor, Financing, Treasury, and Risk Management
- 3. Jean Gill, Assistant Controller, Financial Services Accounting
- 4. Kelly Cox, Associate Director, Financial Services Accounting
- 5. Syrus En, Senior Financial Manager, Financing and Treasury

Chair White called the meeting to order at 2:00 p.m.

Minutes were taken by staff (Syrus En).

Approval of the Institute Board minutes of February 14, 2014 (action item)

Chair White motioned for approval of the minutes from the Institute Board meeting on February 14, 2014. Director Brooks moved and Director Ashely seconded the motion. The minutes were approved unanimously.

Presentation to approve Steve Relyea to the position of California State University Institute Treasurer

Chair White called for the approval of an action item appointing Steve Relyea as Treasurer. On a separate note, George Ashkar informed board members that he will incorporate as part of the minutes Sally Roush's letter of resignation as Treasurer. Chair White asked for a motion which was moved by Director Ashley and seconded by Director Brooks. The motion was approved unanimously.

<u>Presentation of an update of the Institute's commercial paper program (information item)</u>

Treasurer Relyea called for the presentation of agenda item 3 relating to the approval of the Institute FY 2014-15 budget, but based upon a suggestion by Robert Eaton, the action item 3 was switched with information item 4 relating to the Institute commercial paper program to prioritize the presentations in proper sequential order, making it flow better and clearer.

Robert Eaton presented an update on the Institute's commercial paper (CP) program. Eaton explained briefly that the Program's outstanding CP balance was approximately \$181 million at a weighted average rate of 0.08%. Of the total amount outstanding, \$153 million was for campus projects to be paid off by bonds expected in August or September.

Eaton also provided an update from the last meeting on the result of the competitive bidding replacing JPMorgan with Wells Fargo Bank as current provider of letter of credit (LOC). Eaton noted the LOC fee under the new facility was reduced from 0.79% to 0.37% while the size of the LOC was increased up to \$300 million, providing for savings of \$470,000 on LOC fees and increasing CP capacity by \$100 million.

Chair White asked why JPMorgan was not able to provide a lower fee. Eaton explained JPMorgan has a higher cost of capital than its rivals due to regulatory requirements and its limited capital resources, but also that Wells Fargo Bank was more aggressive with its fee proposal.

Presentation to approve Institute FY 2014-15 Budget (action item)

Treasurer Relyea called for the presentation of an action item to approve the Institute FY 2014-15 budget. Robert Eaton explained the budget is comprised of 3 segments: General Fund; All Campus Projects (projects funded through long-term CP and projects financed through bonds) which operates at breakeven; and Equipment program which, unlike All Campus Projects which sets rate within a year to recapture costs (i.e., BAN interest recovery moving in tandem with CP program interest expense), sets an annual rate to provide campuses with budget certainty for a given fiscal year. The annual rate set also includes a cushion to protect the program against rate fluctuations during the year. In recent years, due to very low rates, the Equipment program has built up a surplus and, has been the case in previous years, for 2014-15, a buy down of 64 basis points has been lowering the rate to 2% (compared to 2.30% last year), and returning prior years' surplus to campuses. Because of the buy down, the Equipment program is projected to operate at a loss in 2014-15, which will be covered by reserves.

Chair White asked what the optimal balance for the reserve and suggested distribution of the surplus to campuses should be made on a proportional basis. Eaton explained that, at present, a good balance would be approximately \$1 million and that the distribution of surplus funds is made equitably to campuses in the program.

Treasurer Relyea asked for any other questions. Chair White asked about footnote I in the budget and what would be the basis for any Institute contribution to the CSU Foundation. Eaton deferred to Director Ashley for further explanation. Director Ashley explained that such contributions from campuses support the Enhancement Fund, and that contribution from the Institute was not needed.

Treasurer Relyea asked for a motion, which was moved by Secretary Smith and seconded by Director Brooks. The motion was approved unanimously.

Meeting was adjourned at 2:20 p.m.

Respectfully submitted,

Ephraim P. Smith, Secretary

Date