

## AGENDA

### COMMITTEE ON FINANCE

**Meeting: 1:00 p.m., Tuesday, May 11, 2010**  
**Glenn S. Dumke Auditorium**

William Hauck, Chair  
Raymond W. Holdsworth, Vice Chair  
Roberta Achtenberg  
Kenneth Fong  
Margaret Fortune  
Linda A. Lang  
A. Robert Linscheid  
Henry Mendoza  
Russel Statham  
Glen O. Toney

#### **Consent Item**

Approval of Minutes of Meeting of March 16, 2010

#### **Discussion Items**

1. Report on the 2010-2011 Support Budget, *Information*
2. Approval to Utilize an Alternative Financing Structure for Cal State L.A. University Auxiliary Services, Inc. to Acquire Property Adjacent to California State University, Los Angeles, *Action*
3. Revision to the California State University Student Fee Policy, *Action*

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

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

**March 16, 2010**

**Members Present**

William Hauck, Chair  
Raymond W. Holdsworth, Vice Chair  
Herbert L. Carter  
Margaret Fortune  
Linda A. Lang  
A. Robert Linscheid  
Henry Mendoza  
Russel Statham  
Glen O. Toney

**Approval of Minutes**

The minutes of January 26, 2010, were approved by consent as submitted.

**Report on the 2010-2011 Support Budget**

Executive Vice Chancellor and Chief Financial Officer Benjamin F. Quillian stated that the governor's budget proposal for 2010-11 is very encouraging and includes a significant restoration of \$377 million in funding for the CSU. He acknowledged that the task ahead, while not an easy one, includes supporting the governor's proposal through the legislative process. He noted that on March 3 the governor met with K-12 and higher education leaders as well as Secretary of Education Bonnie Reiss, and Finance Director Ana J. Matosantos. This face-to-face meeting provided leaders, including the CSU, an opportunity to describe the budget impact on students, faculty, and staff.

Assistant Vice Chancellor for Budget Robert Turnage presented a more detailed update on budget developments impacting the CSU. He noted that during a special session in January, the governor proposed closing the budget gap by means other than through education. He explained that many of the bills during the session were passed by simple majority with no Republican support. As a further indication that things are not going well with the budget, Mr. Turnage briefly read a letter the governor sent to leaders describing his frustration with the lack of progress during the session. However, one significant detail that emerged from this special

session was a cash management bill, enabling the state to overcome short-term obstacles before collecting tax revenue in April, as well as addressing a cash flow issue expected in July. In addition, the bill alters the source of funding for CSU payroll during certain periods of both the current and next fiscal year. Further, the bill has made it possible for the state treasury to sell bonds this spring on projects, including some CSU projects. Chancellor Reed interjected that for the months of February and March the CSU is meeting its own payroll at approximately \$300 million a month, resulting in a loss of interest. Despite upcoming subcommittee hearings, Mr. Turnage stated that he does not expect to see any real committee action until the governor's revise in mid-May and possibly not until after the June 8 primary election. Additionally, Mr. Turnage suggested that the system prepare for a long budget impasse that could last all summer and possibly beyond the recent record of September 23. When questioned by Trustee Hauck about recent inquiries made from committee staff in Sacramento, Mr. Turnage noted that those questions served as an indication that legislators are considering *not* restoring funds. This, in turn, is likely to result in the CSU's inability to restore services in key areas.

### **Bond Rating Update**

Dr. Quillian presented an update on recent actions by the bond rating agencies regarding the University's Systemwide Revenue Bond (SRB) debt ratings. He noted that on February 12, 2010, both he and Chancellor Reed visited with representatives of Standard and Poor's and Moody's Investor Services (via teleconference) regarding the outlook for the SRB program. These meetings were scheduled in anticipation of the University's planned sale of approximately \$355 million of SRB's in mid-March 2010. He explained that the rating agencies responded positively to the information shared with them and reaffirmed the existing ratings for the SRB program: Standard and Poor's at A+ and Moody's at Aa3, both with a stable outlook. These ratings contrast with the ratings given to State of California general obligation bonds at A- and Baa1, respectively.

Also in conjunction with the planned SRB sale, Dr. Quillian noted the CSU's successful participation in a due diligence conference call on February 24, 2010. The call was conducted by the underwriting syndicate for the bonds and provided the CSU with the opportunity to present additional information to the investment banks responsible for marketing the bonds to potential investors. The syndicate was satisfied with the CSU presentation.

Trustee Hauck adjourned the Committee on Finance.

**COMMITTEE ON FINANCE**

**Report on the 2010-2011 Support Budget**

**Presentation By**

Robert Turnage  
Assistant Vice Chancellor  
Budget

**Summary**

The 2010-11 Governor's budget identifies a \$19.9 billion shortfall over the next 14 months. The Governor proposes solving this gap with a heavy emphasis on expenditure reductions and assumed new federal funds. Expenditure reductions are concentrated in health, welfare and transportation programs, as well as state employee compensation and, to some extent, in adult and youth corrections programs. It is clear that many of the Governor's proposals face a difficult reception in the Legislature. As previously stated to this Board, it is also clear that there are no easy alternatives. Easy options for addressing the State's fiscal problems were exhausted two years ago.

Despite the State's fiscal condition, the Governor has made higher education a central priority of his 2010-11 budget. The Governor's budget provides similar treatment to the CSU and the University of California (UC). For each system, the budget (1) restores \$305 million of one-time cuts made in 2009-10 and (2) provides 2.5 percent enrollment growth (\$60.6 million for CSU; \$51.3 million for UC). For each system, the enrollment growth funds are made contingent on the receipt of specified new federal funds for programs outside higher education.

Since March, several budget subcommittee hearings have taken place, which explored various topics related to the Governor's proposed budget for the CSU. The Assembly and Senate subcommittees, however, have refrained from taking actions. It is apparent that the Legislature is awaiting receipt of the Governor's May Revision which, by law, is due to the Legislature on or before May 14.

## **COMMITTEE ON FINANCE**

### **Approval to Utilize an Alternative Financing Structure for Cal State L.A. University Auxiliary Services, Inc. to Acquire Property Adjacent to California State University, Los Angeles**

#### **Presentation By**

Benjamin F. Quillian  
Executive Vice Chancellor and  
Chief Financial Officer

#### **Summary**

Cal State L.A. University Auxiliary Services, Inc. (the “Corporation”), a recognized auxiliary organization at California State University, Los Angeles (the “Campus”), is proposing a commercial borrowing in a not-to-exceed amount of \$2,350,000 to acquire property adjacent to the Campus. The project will be leased to the Campus for use as academic space.

#### **Background**

In November 2009, the Board approved a campus master plan revision and an amendment to the 2009-2010 non-state capital outlay program to allow for the acquisition of two parcels of land totaling 0.83 acres adjacent to the California State University, Los Angeles campus. One parcel (0.44 acres) includes a two-story building with a high-bay multi-use room, classrooms, conference rooms, offices and support space. The second parcel (0.39 acres) includes a two-level parking structure with a total of 61 parking spaces. The property is currently known as the Institute of Religion and is owned by the Church of Jesus Christ of Latter-Day Saints. The proposed property acquisition will enable the campus to fulfill immediate needs for versatile space suitable to house undergraduate and graduate programs in television, film, and media studies. Following the proposed acquisition, planned seismic and accessibility upgrades to the two-story building will bring it into compliance with CSU standards to house the television, film, and media studies programs. The property will be acquired for a price of \$2,350,000, which is just under the appraised value of \$2,375,000. Upgrades are expected to cost approximately \$936,000.

#### **Financing Plan**

This project was originally approved by the Board for acquisition by the Campus through the State Public Works Board. We are recommending a change of the original plan of financing for

this project. Under the new structure, the Corporation will purchase the building and lease the facility to the Campus. The Corporation will obtain a commercial loan from the Cal State L.A. Federal Credit Union. (The credit union is not formally affiliated with the Campus, but includes Campus employees as part of its membership.) Proceeds from the loan will be used to acquire the property, which then will be leased to the Campus. The Campus will fund the cost of the lease and upgrades from campus funds.

Because the project will be an academic building and the Campus wishes to preserve the flexibility to refinance the project in the future through a state financing program (e.g., State Public Works Board), financing this project outside of the Systemwide Revenue Bond (SRB) Program is recommended.

The following summarizes key information regarding the proposed commercial borrowing:

Not-To-Exceed Amount:	\$2,350,000
Term:	20 years
Estimated Interest Rate:	6.00% (estimated on a taxable basis; a lower tax-exempt rate may be negotiated)
Estimated Annual Debt Service:	\$204,884
No Prepayment Restrictions	

Commercial borrowing to be subordinated to, or carved out separately from, the Corporation's existing SRB indebtedness (currently \$26,835,000).

The transaction will be included on the consolidated balance sheet of the CSU and will be considered a use of its available credit, but it is not expected to have a material impact on the CSU's credit profile or debt ratings.

**RESOLVED**, that the Board of Trustees of The California State University hereby authorizes the proposed financing in a not-to-exceed amount of \$2,350,000 as described and for the purpose indicated in this agenda item.

## **COMMITTEE ON FINANCE**

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

#### **Presentation By**

Benjamin Quillian  
Chief Financial Officer and  
Executive Vice Chancellor

Christine Helwick  
General Counsel

#### **Background**

In May 2008, the Trustees approved “The California State University Student Fee Policy” that outlines the way the CSU and each of its campuses establishes, adjusts and oversees all systemwide and campus-based fees.

In August 2009, uniform disclaimer language was added to CSU websites and student portal accounts to clarify that student fees are subject to change by the Board of Trustees up until instruction begins. This amendment would incorporate that same disclaimer language into the CSU Fee Policy to make express that fee changes are permissible when public funding is inadequate:

#### **I. Fee Policy Statement**

The CSU makes every effort to keep student costs to a minimum. Fees listed in published schedules or student accounts may need to be increased when public funding is inadequate. Therefore, CSU must reserve the right, even after initial fee payments are made, to increase or modify any listed fees, without notice, until the date when instruction for a particular semester or quarter has begun. All CSU listed fees should be regarded as **estimates** that are subject to change upon approval by The Board of Trustees, the Chancellor, or the Presidents, as appropriate.

It is not legally necessary to amend the CSU Fee Policy, but this change will make the principle clear and help negate argument that published fees create any legally binding contract.

The following resolution is recommended for approval:

**RESOLVED**, By the Board of Trustees of the California State University, that the CSU Fee Policy be revised to include a new Fee Policy Statement, as indicated in Attachment A.

## **The California State University Student Fee Policy**

### **I. Fee Policy Statement**

The CSU makes every effort to keep student costs to a minimum. Fees listed in published schedules or student accounts may need to be increased when public funding is inadequate. Therefore, CSU must reserve the right, even after initial fee payments are made, to increase or modify any listed fees, without notice, until the date when instruction for a particular semester or quarter has begun. All CSU listed fees should be regarded as **estimates** that are subject to change upon approval by the Board of Trustees, the Chancellor, or the Presidents, as appropriate.

### **II. Definitions**

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

### **III. Authority**

- A. The Board of Trustees provides policy guidance for all matters pertaining to student fees and has authority for the establishment, oversight and adjustment of Category I fees.
- B. The chancellor is delegated authority for the establishment, oversight and adjustment of Category II and Category III fees. The chancellor is not delegated authority for Category I fees.

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

#### **IV. Responsibility**

- A. The president is responsible for assuring that appropriate and meaningful consultation occurs prior to adjusting any fee and before requesting that the chancellor establish a new Category II or Category III fee.
1. The president shall establish a fee advisory committee comprised of student, faculty, staff, and administrative representatives to provide advice to the president. Membership of the fee advisory committee shall be established in consultation with the campus student body association and the campus faculty senate and shall include the president of the campus student body association and the chair of the campus faculty senate or their designees. The president shall appoint the chair of the fee advisory committee.
  2. The president shall appoint members to the fee advisory committee, excluding the student representatives who shall be appointed by the campus student body association. Faculty members shall be appointed consistent with normal campus processes for selecting faculty members to service on similar committees.
  3. Students appointed by the campus student body association shall constitute a majority of the voting members of the fee advisory committee.
  4. A statement of revenues and expenditures including a minimum of one year of actual costs and two years of projected revenue and expenditures for the fee revenue supported activity shall be developed by the campus chief financial officer and considered by the president prior to establishing or adjusting any fee.
  5. The president shall consult with the fee advisory committee before adjusting or requesting that the chancellor establish any Category II or III fees (subject to his/her approval in writing).
    - a. The fee advisory committee will consider proposals for the establishment and adjustment of Category II or III fees, and will then make a recommendation to the president.

- b. The president will make a determination on Category IV and V fees after consideration of the revenue and expenditure plans associated with the fees, and will then notify the fee advisory committee of his or her decision.
- B. Appropriate and meaningful consultation with campus constituencies regarding Category II fees and the use of fee revenue is critical to assure that the delegated authority is exercised in a manner that is consistent with policies adopted by the board.
  1. Appropriate and meaningful consultation includes consultation with bodies such as the campus faculty senate, the campus student body association and other constituencies affected by any proposed increase in an existing fee or establishment of a new fee.
  2. The policy presumes that a student fee referendum will be conducted before adjusting or establishing Category II fees. However, the president may waive the referendum requirement (unless it is required by Education Code) if he/she determines that a referendum is not the best mechanism to achieve appropriate and meaningful consultation.
  3. If a referendum is not conducted prior to adjusting Category II fees or requesting the chancellor to establish a new Category II fee, the president must demonstrate to the fee advisory committee the reasons why the alternative consultation methods selected will be more effective in complying with this policy.
- C. An advisory student referendum is the preferred method of measuring student support prior to adjusting a Category II fee or requesting the chancellor to establish a new Category II fee but is subject to the exception described in B-2. The referendum may be conducted by the campus or the student body association. For referenda conducted by the campus, the following shall apply:
  1. The president in consultation with the student body association and the faculty senate shall develop guidelines applicable to the student fee referendum process designed to assure that the referendum is open, fair, and objective.
  2. The campus shall fund costs associated with the referendum.
  3. The fee advisory committee shall issue a voter pamphlet providing objective analysis of the proposed fee action and statements solicited by the committee for and against the proposed fee action.
  4. The fee advisory committee shall determine the specific statements that shall be included in the pamphlet.

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

**V. Accountability**

- A. The campus president shall provide to the fee advisory committee a report of all fees in Categories II, III, IV and V. New fees, fee increases, total revenue and unexpended balances should be included. The president has the authority to decrease, suspend or eliminate fees as needed.
  
- B, Each campus shall report annually to the chancellor, for the most recently completed fiscal year, a complete inventory of all fees in categories II, III, IV and V, including past year and current year fee rates, the total revenue collected for each fee, and the remaining balance for each fee. The Category II fee report will be presented to the board by the chancellor to allow the board to consider the level and range of fees charged to students.