

AGENDA

COMMITTEE ON FINANCE

Meeting: 11:45 a.m., Tuesday, January 22, 2013
Glenn S. Dumke Auditorium

William Hauck, Chair
Roberta Achtenberg, Vice Chair
Rebecca D. Eisen
Kenneth Fong
Margaret Fortune
Steven M. Glazer
Henry Mendoza
Lou Monville
Jillian Ruddell
Glen O. Toney

Consent Items

Approval of Minutes of Meeting of November 14, 2012

Discussion Items

1. Report on the Support Budget, 2012-2013 and 2013-2014 Fiscal Years,
Information

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

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

November 14, 2012

Members Present

William Hauck, Chair
Kenneth Fong
Margaret Fortune
Steven M. Glazer
Bob Linscheid, Chair of the Board
Henry Mendoza
Lou Monville
Jillian Ruddell
Glen O. Toney
Charles B. Reed, Chancellor

Approval of Minutes

The minutes of September 18, 2012 were approved by consent as submitted.

Report on the 2012-2013 Support Budget and Related Contingencies

Dr. Benjamin F. Quillian, executive vice chancellor and chief financial officer, updated the board on the implementation of the contingency plan as a result of the passage of Proposition 30. Funds from Proposition 30 will not make up the loss in state support to the CSU, it merely prevents an additional \$250 million budget reduction.

Mr. Robert Turnage, assistant vice chancellor for budget, reported that certain elements of the contingency plan are being implemented and that the CSU is continuing to work on administrative efficiencies and cost-saving strategies.

With no further questions, Trustee Hauck proceeded to the next item on the agenda.

Approval of the 2013-2014 Support Budget Request

Mr. Turnage, stated that the CSU budget plan focuses on addressing critical unmet needs and seeking reinvestment from the state into higher education. The budget also includes the \$125 million general fund appropriation to the CSU enacted by the legislature and the governor in

Assembly Bill 1502. This will offset the \$132 million loss from the tuition fee roll-back in 2012-2013. He added that there are growing concerns on the sluggish national and state economic recovery which could result in a federal “fiscal cliff” that could push the economy back into recession.

In response to a query from Trustee Glazer, Mr. Turnage noted that the state department of finance is well aware of the fiscal impact to the CSU.

With no questions, Trustee Hauck called for a motion on the resolution, which was approved.

2013-2014 Lottery Revenue Budget

Mr. Turnage, stated that the 2013-2014 lottery budget request does not reflect an increase in projected support.

With no questions, Trustee Hauck called for a motion on the resolution, which was approved.

2012-2013 Student Fee Report

Mr. Turnage, presented the board with an annual campus student fee report to consider the level and range of campus-based mandatory fees charged to CSU students. The systemwide average of campus-based mandatory fees increased by 8.9% in the 2012-2013 academic year.

With no further questions, Trustee Hauck proceeded to the next item on the agenda.

Trustee Hauck addressed audience members who shared their support of Proposition 30 and encouraged the CSU in reinvesting and rebuilding the university system.

California State University Annual Investment Report

Mr. George Ashkar, assistant vice chancellor for financial services, provided the annual investment report for 2011-2012 for funds managed under the California State University Investment policy. He reported that the CSU Systemwide Investment Fund-Trust (SWIFT) portfolio provided a return of 0.76% for 2011-2012, which exceeded the benchmark. The SWIFT is split between two investment firms: US Bancorp Asset Management, represented by Mr. Jim Palmer, and Wells Capital Management, represented by Mr. Mike Rogers, managing director of fixed investments.

Mr. Rogers noted that 2011-2012 was marked by continued volatility and uncertainty in the financial markets due to stress in the European Union (EU). The European Central Bank took steps to address deteriorating financial conditions in the EU, which sparked a strong market rally. The U.S. fiscal policy has been focused on resolving the 2013 “fiscal cliff” to avoid pushing the US economy into recession.

Mr. Palmer added that rates are expected to remain exceptionally low through mid-2015, but that corporate credit remains strong.

With no further questions, Trustee Hauck proceeded to the next item on the agenda.

Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments

Mr. Ashkar, requested board approval to authorize the issuance of systemwide revenue bonds and the issuance of Bond Anticipation Notes (BANS) to support interim financing under the commercial paper program of the CSU. The total cost is \$34,015,000 to provide financing for two campus projects. The board is being asked to approve resolutions relating to these projects.

The San Jose Student Health and Counseling Center (the “Project”) was approved by the board in March 2009. The Project will construct a new 52,700 square-foot facility, which will replace the current facility constructed in 1959, improve efficiency and provide additional space for new services to address acute, preventative and ancillary health care needs. The not-to-exceed par value is \$27,960,000, based on a total project cost of \$34,243,000, with a health center program reserve contribution of \$9,389,000. Additional financing costs of \$3,106,000 are to be funded from bond proceeds. The Project is being supported by an increase in health facilities fees with annual increases thereafter. Based on the financial plan, debt service coverage is projected at 1.53 for the Project for the first full year of operations, which exceeds the CSU benchmark of 1.10. The campus’ overall debt service coverage is projected at 1.67, which exceeds the CSU benchmark of 1.35.

The San Marcos Student Health and Counseling Services Building (the “Project”) was approved by the board in March 2012. The project will replace an existing off campus facility that is currently being leased and will provide 19,200 square feet for examination rooms, medical offices, and counseling space. The not-to-exceed par value is \$6,055,000, based on a total project cost of \$9,936,000, with a health center program reserve contribution of \$4,484,000. Additional financing costs of \$603,000 are to be funded from bond proceeds. An increase in the health facility fee will also support the project. Based on the financial plan, debt service coverage is projected at 1.34 for the Project for the first full year of operations, which exceeds the CSU benchmark of 1.10. The campus’ overall debt service coverage is projected at 1.59, which exceeds the CSU benchmark of 1.35.

With no questions, Trustee Hauck called for a motion on the resolution, which was approved.

Trustee Hauck adjourned the Committee on Finance.

COMMITTEE ON FINANCE

Report on the Support Budget, 2012-2013 and 2013-2014 Fiscal Years

Presentation By

Benjamin F. Quillian
Executive Vice Chancellor and
Chief Financial Officer

Robert Turnage
Assistant Vice Chancellor
Budget

Budget Overview

With the passage of Proposition 30, the CSU has avoided a \$250 million “trigger” cut for the 2012-13 fiscal year. Based on board action taken at its meeting of September 18-19, 2012, the passage of Proposition 30 also enabled a “roll back” of tuition fee rates to 2011-2012 levels. This “roll back” causes an annual fee revenue loss for the CSU of approximately \$132 million. For the 2012-2013 fiscal year, a transfer of \$62.2 million of one-time funds from extended education programs will provide a partial mitigation of impacts to state-supported instructional programs due to the revenue loss. Starting with the 2013-2014 fiscal year, the state will annually provide \$125 million of replacement revenue. This appropriation is already approved by the legislature and governor in legislation signed last June (AB 152).

Each November the Legislative Analyst’s Office (LAO) issues a multi-year fiscal outlook. In its outlook released last November (following the passage of Proposition 30) the LAO observed that California faces a “dramatically smaller budget problem in 2013-2014 compared to recent years.” The LAO projected a state budget gap of \$1.9 billion for the ensuing fiscal year. This projection, however, is based on assumptions of continuing economic recovery in the state and continuing spending restraint by state government. It also assumes that Congress and the President resolve outstanding federal fiscal issues in a manner that avoids throwing the national economy back into recession.

The 2013-14 Governor’s Budget was scheduled for release on January 10, 2013. At the time this agenda was completed, staff were still analyzing the details of the proposal. A detailed presentation will be provided to the board at the January meeting on the Governor’s 2013-2014 Budget and its implications for support of the university.