

## **AGENDA**

### **COMMITTEE ON FINANCE**

**Meeting: 12:45 p.m., Tuesday, November 13, 2007**  
**Glenn S. Dumke Auditorium**

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

#### **Consent Item**

Approval of Minutes of Meeting of September 18, 2007

#### **Discussion Items**

1. Approval of the 2008-2009 Support Budget Request, *Action*
2. 2008-2009 Lottery Revenue Budget, *Action*
3. 2007-2008 Student Fee Report, *Information*
4. Update on the Status of the California State University's Strategic Capital Financing Plan and Debt Capacity, *Information*
5. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects, *Action*

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

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

**September 18, 2007**

**Members Present**

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

**Approval of Minutes**

The minutes of July 11, 2007 were approved.

**Report on the 2007-2008 Support Budget**

Trustee Hauck announced that Mr. Patrick J. Lenz, assistant vice chancellor for the budget, would present the item.

Before presentation of the item, Mr. Richard P. West, executive vice chancellor and chief financial officer, introduced Mr. Steve Boilard, director, higher education with the legislative analyst's office and welcomed him to the meeting.

For the benefit of some of the newer members of the board, Mr. Lenz provided a brief recap of some of the current state and CSU budget numbers in an effort to set the stage for discussion of the 2008-2009 budget.

With the assistance of slides, Mr. Lenz then presented a comprehensive overview of the final recommendations on the overall state budget, and a detailed accounting of the actions on the 2007-2008 CSU budget.

Some of the highlights of Mr. Lenz' report included the following:

For 2007-2008, CSU assumed \$3 billion from the state general fund and approximately \$1.3 billion in fee revenue for a total \$4.3 billion in the governor's January budget.

The governor fully funded the Compact for the CSU with 4% base funding; and assumed about \$123 million in fee revenue due to 2.5 percent enrollment growth and a 10% increase in student fees.

The governor also approved two trustee budget augmentations above the Compact, with \$2 million to continue CSU's efforts to provide more K-12 math and science teachers, and \$3.6 million for CSU to expand our baccalaureate nursing programs.

The legislature did restore, and the governor sustained, the \$7 million in funding for CSU outreach and academic preparation programs; and the governor and legislature approved approximately \$302 million in state general fund and student fee revenue to the CSU representing a 7 percent increase over our prior year budget.

Chancellor Reed said he wanted to acknowledge the help received from Speaker Nunez in assisting CSU in getting our budget through the process, and avoiding several potential budget cuts that would have significantly affected the overall financial operation of the university.

Mr. Lenz noted a handout of the slide presentation containing the budget details was distributed to the trustees for their information and reference.

In conclusion, CSU was successful in having no funding issues before the two-house conference committee and in staying under the radar of any drastic budget cuts. Given California's overall fiscal condition and the last minute veto of \$700 million in state programs, the governor and the legislature are to be commended for their support of higher education and particularly the CSU budget.

### **Report on the 2008-2009 Support Budget**

Mr. Lenz explained the item was intended to provide information to begin discussion on the 2008-2009 CSU support budget that will come before the trustees for final approval at the November board meeting.

As in the previous item, Mr. Lenz reviewed for the new board members, the overall development process of the CSU budget.

In October, legislative staff and members of the legislative analyst's office (LAO) will be given the opportunity to make on-campus visits to view first-hand the quality education CSU is providing students. In November, the LAO will begin the 2008-2009 budget process incorporating information regarding the fiscal forecast for California and issues that will be before the governor and the legislature in the coming year. At that time, the trustees will approve the 2008/2009 CSU budget to be submitted to the governor and the legislature. In December, Chancellor's Office staff will meet with the Department of Finance and governor's office staff for formal discussion on the CSU budget. At that point, the waiting period begins and

we wait in anticipation of favorable funding when the governor submits his budget to the legislature in January.

Mr. Lenz then presented a lengthy slide presentation and discussed a number of issues related to development of the 2008-2009 CSU budget.

He pointed out when the \$131.5 billion 2007-2008 state budget was enacted, it also assumed a \$4.1 billion reserve and “no net operating” deficit. However, the overall fiscal condition of the state’s General Fund and future viability of the California economy will play a significant role in the state meeting its budget priorities for the 2008-2009 fiscal year.

Mr. Lenz mentioned some factors that will likely place demands on the \$4.1 billion reserve include: the two court cases on appeal (a potential \$1 billion), various interest payments, fallout from the housing market slump, personal income tax revenue dips, and unaccounted mandatory costs.

Mr. Lenz noted the 2008-2009 revenue expenditure assumptions and budget projections presented in his report are only estimates at this time, and there will certainly be other issues for the board to consider. Meanwhile he said his office will await the advice of the board regarding our Compact funding, and the above Compact funding recommendations, as well as other issues and suggestions the board would like to be considered as we progress toward development of the trustees’ budget priorities.

Trustee Reimer said she would be interested to see the data on revenue differences brought in by various levels of fee increases (a 10% increase vs. a 7% increase) and what that would mean for our revenue projections. Mr. West replied he would have that information provided to the trustee.

Trustee Hauck thanked Mr. Lenz for a good report.

### **2008-2009 Lottery Revenue Budget**

Mr. Lenz explained CSU expects only minor changes to the 2008-2009 lottery budget, and assumes the same level of projected support received for fiscal year 2007-2008. The lottery revenue projection for 2008-2009 is \$44.4 million. It is anticipated about \$39.4 million will be available for systemwide and campus-based allocation after setting aside CSU’s annual \$5 million systemwide reserve. The \$5 million reserve is used to assist with cash-flow variations due to fluctuations in quarterly lottery receipts and other economic uncertainties.

Some of the systemwide programs supported by these funds include: the doctoral initiative program, the pre-doctoral program, and the CSU Summer Arts Program. Campus-based programs include: academic remedial and vocational instruction, community based service and continuing education, counseling and career guidance, and student support services, to name a few.

Mr. Lenz concluded noting CSU does not anticipate any additional carry-forward funds in 2008-2009 above the planned \$5 million budget reserve.

### **California State University Annual Investment Report**

Trustee Hauck introduced Ms. Colleen Nickles, assistant vice chancellor, financial services, and Mr. Russ Gould, senior vice president, Wachovia Portfolio Services. He then introduced Mr. Tony Rodriguez and Mr. Mark Sullivan from FAF Advisors. Trustee Hauck informed the committee that CSU's investment program will now be managed by the two organizations; Wachovia and FAF.

Ms. Nickles began the report saying she was pleased to introduce CSU's Annual Investment Report for Fiscal Year 2006-2007. She noted CSU's investments for the past year were managed exclusively by Wachovia Portfolio Services.

Ms. Nickles proceeded to review the written agenda item. CSU ended Fiscal Year 2006-2007 with approximately \$1.5 billion under investment. The short-term pool, where most of CSU's investments are placed, had a return of 5.42 percent; outperforming both the Local Agency Investment Fund (LAIF) and the Merrill Lynch 1 – 3 Year treasury index, which are CSU's two short-term benchmarks. The medium-term account had a return of 5.65 percent which also outperformed both LAIF and the Merrill Lynch 1 – 5 Year Treasury and Agency Index.

Mr. Gould addressed the committee and said he was very pleased with the outcome of the 2006-2007 investment efforts. He acknowledged circumstances during the past year had posed some risk in the budget, and thanked the leadership of the CSU system for joining with the University of California, and with strong support from the legislature, to collaborate on a number of mutual budget and investment concerns.

Trustee Carter asked for clarification on the purpose of the fund and how the investment funds are ultimately utilized. Mr. West explained the investments are trust accounts the university maintains that are basically fee revenue generated from services such as student housing, parking, etc., and any short-term money associated with construction/bond sales. There are 4 or 5 very large trust funds that make up a major portion of the funds, and there are approximately 200 to 400 per-campus, trust funds that make up the balance. He noted the program involves a substantial variety of funds, and pointed out they are not general funds. They are specific-use funds that are fee driven, and until that money is used, the balances are invested in safe short-term funds.

Trustee Holdsworth inquired if a decrease on percentage return was anticipated next year due to the uncertainty in the marketplace. Mr. Gould indicated it was likely returns would be somewhat less but not sufficiently so to warrant any concern about the overall stability of the program.

### **Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for a Project**

Ms. Nickles explained the item requests the trustees to approve \$18,445 million in systemwide revenue bonds for a student recreation complex project at the CSU, Stanislaus campus. Upon approval, commercial paper will be issued to fund the construction cost of this project. Ms. Nickles noted in November, 2006, the trustees approved changes to the non-state capital outlay program, and for the schematics and design for the project.

The campus received good bids on this project and the amount actually financed will be a little less than shown in the written item. The project cost in the agenda reflects \$17,363,000 of which \$18,445,000 is sought for approval of the total amount of the bond. The parking program at the campus will contribute \$351,000 from reserves. The campus anticipates the actual amount they will now need to finance the project will be \$17,170,000 or approximately \$1.2 million less than originally requested.

The committee recommended approval of the proposed resolution (RFIN 09-07-17).

### **Auxiliary Organization Financing at California State University, Fullerton**

The item requested the trustees to approve a \$5.6 million borrowing by the CSU, Fullerton Housing Authority (Authority) to finance the acquisition of 22 newly refurbished condominiums at Creekside in La Habra. The homes will be marketed to University employees and the Authority will retain deed restrictions on the acquired units to maintain below-market pricing for faculty and staff.

Ms. Nickles presented the background, project description, and financing details as set forth in the written item.

Trustee Holdsworth said this was a good bargain, and noted that faculty and staff housing is becoming a major issue at all CSU campuses. He suggested it might be a good idea to take advantage of the current market situation and explore acquisition of similar properties and terms for the other campuses before the opportunity to obtain these types of properties slips away.

Mr. West agreed and said staff have been working with various housing groups, and identifying builders who might be interested in selling in bulk similar to the plan outlined in this item. He said additional information on this topic will be presented to the board as it develops.

The committee recommended approval of the proposed resolution (RFIN 09-07-18).

Trustee Hauck adjourned the meeting.

## **COMMITTEE ON FINANCE**

### **Approval of the 2008-2009 Support Budget Request**

#### **Presentation By**

Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer

Patrick J. Lenz  
Assistant Vice Chancellor  
Budget

#### **Summary**

The Board of Trustees met in September to review final actions on the 2007-08 CSU budget; understand the overall fiscal condition of the state; and discuss recommendations for the 2008-09 CSU budget. The Board of Trustees will be provided at this meeting with an update of the state's fiscal condition and budget challenges for the 2008-09 fiscal year. The Board will also be presented with the 2008-09 revenue and expenditure assumptions under the Compact for Higher Education along with University budget priorities that would require a state General Fund investment above the Compact funding.

#### **State Budget Overview**

At the September Board meeting, the Trustees were provided the details of the state's fiscal condition and the legislature and Governor's actions regarding the 2007-08 CSU budget. The legislature enacted the 2007-08 state budget 55 days after the start of the July 1 fiscal year and the final actions included \$703 million in vetoes by the Governor; a state budget with "no net operating deficit; and the largest reserve in California's recent history of \$4.1 billion. The final enacted budget required significant budget reductions to health and human services programs; "one-time" funding of ongoing K-12 programs; and optimistic revenue assumptions for the 2007-08 fiscal year.

The Governor and legislature approved a 2007-08 CSU budget of nearly \$4.3 billion, representing an increase of just over \$300 million. The CSU benefited from full funding under the Compact that supported 4 percent for base operations and 2.5 percent to enroll an additional 11,000 students. Student fees were increased by 10 percent and 1/3 of this revenue was set-aside

for State University Grants. The 4 percent for base operations and student fee revenue provided the necessary resources to support mandatory costs; compensation; enrollment growth; student financial aid; and long-term need (technology, libraries, and deferred maintenance). In addition, the Governor and legislature approved two “above Compact” budget priorities for additional K-12 math and science teachers and expanding baccalaureate nursing programs.

Recently, the Department of Finance indicated that California may face an \$8.6 billion budget deficit in the 2008-09 fiscal year. Despite the state’s fiscal condition, the University will have funding demands for student access, compensation, mandatory costs, financial aid, and long-term need (academic technology, libraries, and deferred maintenance). Over the past three fiscal years, the Compact for Higher Education has provided the revenue to support these critical funding issues and the CSU anticipates the Governor and the legislature’s support for the Compact in the 2008-09 fiscal year. Initial projections indicate the CSU will need a minimum of \$322.7 million under the current provisions of the Compact. Early estimates of expenditures include:

• Mandatory Costs (health benefits, new space, energy, and full-year SSI comp.)	\$36.0 million
• Student Enrollment Growth (2.5 % or 8,572 FTES)	\$82.5 million
• Financial Aid (assumes no increase in student fees)	\$ 6.9 million
• Long Term Need	\$43.0 million
• Compensation	\$154.3 million

<b>Total</b>	<b>\$322.7 million</b>
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In addition to funding within the Compact, the University has recognized funding priorities “above the Compact” and achieved some success in getting these priorities funded by the Governor and the legislature. As part of the 2008-09 state budget the CSU is requesting funding for the following “above Compact” budget priorities:

• Increasing the Ratio of Tenured Faculty	\$42.9 million
• Enrollment Growth (1 percent)	\$27.5 million
• Compensation (1 percent)	\$30.4 million
• Student Services Initiative	\$24.6 million
• Applied Research	\$12.0 million
• Teacher Performance Assessment	\$10.0 million
• Clinical Nursing (MSN and BSN)	\$ 7.8 million

In an effort to make progress on all these “above Compact” budget priorities CSU would need an additional \$155.2 million from the state General Fund.



The following resolution is recommended for adoption.

**RESOLVED,** By the Board of Trustees of the California State University that the 2008-09 Support Budget 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 such changes made by the chancellor be communicated promptly to the trustees; and be it further

**RESOLVED,** That the chancellor is authorized to comply with requests of the Department of Finance and the legislature regarding establishment of priorities within this budget; and be it further

**RESOLVED,** That student fees for 2008-09 be adopted not later than the March 2008 Board of Trustees meeting; and be it further

**RESOLVED,** That copies of this resolution be transmitted to the California Postsecondary Education Commission, to the governor, to the director of finance and to the legislature.

## **COMMITTEE ON FINANCE**

### **2008-2009 Lottery Revenue Budget**

#### **Presentation By**

Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer

Patrick J. Lenz  
Assistant Vice Chancellor  
Budget

#### **Summary**

This is an action item regarding the lottery revenue budget proposal for fiscal year 2008-09. The lottery revenue projection for 2008-09 is \$44.4 million, with \$39.4 million available for allocation after setting aside the annual \$5 million systemwide reserve. Lottery revenue assumes the same level of projected support for fiscal year 2007-08. This assumption is consistent with the average state distribution CSU received over the past three fiscal years. The beginning reserves are maintained at \$5 million and interest earnings from lottery allocations are now incorporated in campuses' total revenue earnings achieved under the new Revenue Management Program implemented in 2006-07. CSU does not anticipate any additional carry forward funds in 2008-09 above the planned \$5 million budget reserve. The \$5 million reserve is used to assist with cash-flow variations due to fluctuations in quarterly lottery receipts and other economic uncertainties.

#### **2008-09 Lottery Budget Proposal**

The \$39.4 million lottery budget plan proposal will continue to be designated to campus based programs and the three system-designated programs that have traditionally received annual lottery funding support (Chancellor's Doctoral Incentive Program, California Pre-Doctoral program, and CSU Summer Arts Program). The Chancellor's Doctoral Incentive Program will receive \$2 million for financial assistance to graduate students to complete doctoral study in selected disciplines of particular interest and relevance to the CSU. The California Pre-Doctoral Program will receive \$.7 million to support CSU students who aspire to earn doctoral degrees and who have experienced economic and educational disadvantages. The CSU Summer Arts program will receive \$1.2 million for academic credit courses in the visual, performing, and literary arts.

The remaining \$35.1 million in 2008-09 lottery funds will continue to be used for system program administration and campus-based programs. The campus-based programs represent a

significant source of funds that allow presidents maximum flexibility in meeting unique campus needs. Traditionally, projects receiving campus-based funds have included the purchase of new instructional equipment, equipment replacement, curriculum development, and scholarships.

The following table provides a detailed description of how lottery funds allocated for the 2006-07 fiscal year were expended.

2006-07 Lottery Expenditure Report		
Program Support Area	Expense	Percent of Total
Academic	\$ 26,516,666	54%
Library Services	\$ 9,961,278	20%
Student Services	\$ 4,555,088	9%
Administration	\$ 4,223,821	9%
University Maintenance	\$ 1,822,815	4%
Financial Aid	\$ 1,375,516	3%
Community Relations	\$ 388,486	1%
	<b>\$ 48,843,670</b>	<b>100%</b>

Ninety-one percent of lottery allocations are spent on supplemental programs and services for students and faculty.

The CSU lottery revenue budget proposed for 2008-09 is as follows:

**2008/09 Proposed Lottery Revenue Budget**

	<b>2007/08 Approved Budget</b>	<b>2008/09 Proposed Budget</b>
<b>Sources of Funds</b>		
Beginning Reserve	\$ 5,000,000	\$ 5,000,000
Receipts	39,000,000	39,000,000
Projected Interest Earnings	400,000	-
<b>Total Revenues</b>	<b>\$ 44,400,000</b>	<b>\$ 44,000,000</b>
<i>Less Systemwide Reserve</i>	<i>(5,000,000)</i>	<i>(5,000,000)</i>
<b>Total Available for Allocation</b>	<b>\$ 39,400,000</b>	<b>\$ 39,000,000</b>
<b>Uses of Funds</b>		
<i>System Programs</i>		
Chancellor's Doctoral Incentive Program	\$ 2,000,000	\$ 2,000,000
California Pre-Doctoral Program	714,000	714,000
CSU Summer Arts Program	1,200,000	1,200,000
Program Administration	491,000	491,000
	<b>\$ 4,405,000</b>	<b>\$ 4,405,000</b>
<i>Campus Based Programs</i>		
Campus/CO Programs	\$ 34,595,000	\$ 34,595,000
Campus/CO Interest	\$ 400,000	\$ -
	<b>\$ 34,995,000</b>	<b>\$ 34,595,000</b>
<b>Total Uses of Funds</b>	<b>\$ 39,400,000</b>	<b>\$ 39,000,000</b>

The following resolution is recommended for adoption:

**RESOLVED,** By the Board of Trustees of the California State University, that the 2008-09 Lottery Revenue budget totaling \$44.0 million be approved for implementation by the chancellor, with the authorization to make transfers between components of the Lottery Revenue budget and to phase expenditures in accordance with receipt of lottery funds; and be it further

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**RESOLVED**, that the chancellor is hereby granted authority to adjust the 2008-09 Lottery Revenue budget approved by the Board of Trustees to the extent that receipts are greater or lesser than budgeted revenue to respond to opportunities or exigencies; and be it further

**RESOLVED**, That a report of the 2008-09 Lottery Revenue budget receipts and expenditures be made to the Board of Trustees.

## **COMMITTEE ON FINANCE**

### **2007-2008 Student Fee Report**

#### **Presentation By**

Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer

Patrick Lenz  
Assistant Vice Chancellor  
Budget

#### **Summary**

CSU student fee policy requires that an annual campus student fee report be presented to the Board of Trustees to allow the board to consider the level and range of fees charged to CSU students. Summary tables in this report include the 2007-08 academic year, resident, undergraduate student fees required to apply to, enroll in, or attend the university by campus, and a comparison of 2006-07 to 2007-08 summary fee levels by campus.

Also, included are tables with 2007-08 fee levels at the CSU comparison public institutions. The California Postsecondary Education Commission has historically referenced 15 public institutions for faculty compensation and student fee comparisons. Comparison of 2007-08 academic year resident, undergraduate, graduate, and nonresident student fee levels at CSU and 15 public comparison institutions are presented.

### **2007-08 Student Fee Report**

CSU 2007-08 academic year resident, *undergraduate* student fees include the systemwide State University Fee (SUF) and required campus fees. The total systemwide and campus fees average is \$3,521. The total is comprised of \$2,772 for the undergraduate SUF (6.1 units or more) and \$749 for the average campus based fees that must be paid to apply to, enroll in, or attend the university.

The 2007-08 systemwide State University Fee levels were increased by 10% from 2006-07 fee levels. There was no increase in State University Fee in 2006-07. Increases in the undergraduate State University Fee (SUF) occurred in 2002-03 (10 percent at mid-year), 2003-04 (30 percent), 2004-05 (14 percent), and 2005-06 (8 percent). Prior to 2002-03, an increase in SUF had not occurred since 1994-95. Further, SUF reductions of 5 percent occurred in both

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1998-99 and 1999-00. The board retains authority to establish, adjust, and abolish systemwide fees.

The average campus based fees in 2007-08 that must be paid to apply to, enroll in, or attend the university are \$749, which represents a \$70 or 10.3 percent increase from the prior year. Other campus fees may be charged that are not required of all enrolled students, which include Category III (user) and Category IV (penalty/deposit) types of fees as outlined in the current fee policy. As indicated in the student fee policy, prior to adjusting or establishing a campus fee, appropriate and meaningful consultation must occur, which includes consultation with the campus fee advisory committee. Campus presidents have the authority to adjust campus fees after appropriate consultation. To establish campus fees, campus presidents must forward a request to the chancellor following appropriate consultation. After an additional review process, campus fees are established by chancellor's executive order.

Credential program participants and graduate/other post-baccalaureate systemwide State University Fee (SUF) rates are greater than the undergraduate SUF. In 2007-08 credential program participant SUF rates increased 10 percent to \$1,866 for 6 units or less and \$3,216 for 6.1 units or more per academic year. Graduate and other post-baccalaureate SUF rates increased to \$1,980 for 6 units or less and \$3,414 for 6.1 units or more per academic year. Further, nonresident students pay an additional fee. The nonresident tuition fee rate is \$339 per semester unit and \$226 per quarter system unit. There has been no increase in the nonresident tuition fee rate since 2004-05. The nonresident tuition fee rate was increased 15 percent in 2002-03 and 20 percent in 2004-05, and prior to that had not been increased since 1991-92.

Following are 2007-08 academic year resident, undergraduate student fees by campus, and 2006-07 versus 2007-08 summary fee levels by CSU campus:

**CSU 2007/08 Academic Year Resident Undergraduate Fees<sup>1</sup>**

	State University Fee (SUF)		Campus Fees (Annual fees that must be paid to apply to, enroll in, or attend the university)						Total
	Up to 6 units	6.1 units or more	Health Facilities	Health Services	Instructionally Related Activities	Materials, Services, and Facilities	Student Body Assoc.	Student Body Center	Total Campus Fees
Bakersfield	\$1,608	\$2,772	\$6	\$216	\$66	\$12	\$291	\$351	\$3,714
Channel Islands	1,608	2,772	6	120	200	70	124	140	\$3,432
Chico	1,608	2,772	6	230	234	4	112	332	\$3,690
Dominguez Hills	1,608	2,772	6	140	10	0	135	314	\$3,377
East Bay	1,608	2,772	6	177	48	3	99	240	\$3,345
Fresno	1,608	2,772	6	178	20	46	65	212	\$3,299
Fullerton	1,608	2,772	6	85	52	70	143	238	\$3,366
Humboldt	1,608	2,772	6	269	500	10	101	185	\$3,843
Long Beach	1,608	2,772	6	90	50	10	88	100	\$3,116
Los Angeles	1,608	2,772	6	165	60	0	54	275	\$3,332
Maritime Academy	1,608	2,772	6	580	130	30	210	0	\$3,728
Monterey Bay	1,608	2,772	0	0	55	291	96	42	\$3,256
Northridge	1,608	2,772	6	104	30	0	148	290	\$3,350
Pomona	1,608	2,772	6	135	40	0	92	233	\$3,278
Sacramento	1,608	2,772	6	138	21	0	251	370	\$3,558
San Bernardino	1,608	2,772	21	143	134	15	81	289	\$3,455
San Diego	1,608	2,772	50	170	190	20	30	196	\$3,428
San Francisco	1,608	2,772	6	216	210	4	84	164	\$3,456
San José	1,608	2,772	26	147	198	30	147	312	\$3,632
San Luis Obispo	1,608	2,772	8	160	242	909	248	350	\$4,689
San Marcos	1,608	2,772	50	130	80	112	100	130	\$3,374
Sonoma	1,608	2,772	26	224	382	24	158	360	\$3,946
Stanislaus	1,608	2,772	7	194	56	78	100	123	\$3,330
<b>CSU Average</b>	<b>\$1,608</b>	<b>\$2,772</b>	<b>\$12</b>	<b>\$174</b>	<b>\$131</b>	<b>\$76</b>	<b>\$129</b>	<b>\$228</b>	<b>\$3,521</b>

**Average Campus Based Fees:     \$749**

<sup>1</sup>Credential SUF rates \$1,866 0-6 units / \$3,216 6.1+ units; Graduate SUF rates \$1,980 0-6 units / \$3,414 6.1+ units. Education Doctorate fee rates \$7,380. Nonresident tuition fee rate is \$226/quarter unit & \$339/semester unit with Acad. Yr. maximum of \$10,170 (nonresident tuition is paid by nonresident students in addition to SUF and campus fees).



**CSU 2007-08 versus 2006-07 Academic Year  
Resident, Undergraduate Student Systemwide and Campus Fees**

<b>Campus</b>	<b>2006-07</b>	<b>2007-08</b>	<b>Increase</b>
<b>Bakersfield</b>	\$3,387	3,714	\$327
<b>Channel Islands</b>	2,980	3,432	\$452
<b>Chico</b>	3,412	3,690	\$278
<b>Dominguez Hills</b>	3,011	3,377	\$366
<b>East Bay</b>	2,946	3,345	\$399
<b>Fresno</b>	3,039	3,299	\$260
<b>Fullerton</b>	3,010	3,366	\$356
<b>Humboldt</b>	3,175	3,843	\$668
<b>Long Beach</b>	2,864	3,116	\$252
<b>Los Angeles</b>	3,080	3,332	\$252
<b>Maritime Academy</b>	3,476	3,728	\$252
<b>Monterey Bay</b>	3,002	3,256	\$254
<b>Northridge</b>	3,042	3,350	\$308
<b>Pomona</b>	3,015	3,278	\$263
<b>Sacramento</b>	3,282	3,558	\$276
<b>San Bernardino</b>	3,092	3,455	\$363
<b>San Diego</b>	3,160	3,428	\$268
<b>San Francisco</b>	3,166	3,456	\$290
<b>San José</b>	3,296	3,632	\$336
<b>San Luis Obispo</b>	4,349	4,689	\$340
<b>San Marcos</b>	3,092	3,374	\$282
<b>Sonoma</b>	3,648	3,946	\$298
<b>Stanislaus</b>	3,043	3,330	\$287
<b>CSU Average</b>	<b>3,199</b>	<b>3,521</b>	<b>\$322</b>
<b>Systemwide SUF:</b>	<b>\$2,520</b>	<b>\$2,772</b>	<b>\$252</b>
<b>Avg. Campus Based Fees:</b>	<b>\$679</b>	<b>\$749</b>	<b>\$70</b>

Mandatory campus based fees are increased by the campus presidents following consultation with the student fee advisory committee and either a student referendum or other appropriate consultation based on current fee policy. Increases in campus mandatory fees in 2007-08 resulted primarily from fees for construction of new student recreation centers or student union buildings or the addition or expansion of athletics programs. Some campuses have authorized, annual incremental fee increases tied to the California Price Index.

The 2007-08 CSU comparison institution academic year resident, *undergraduate*, student fees are provided below. The California Postsecondary Education Commission has historically referenced these institutions for faculty compensation and student fee comparisons. CSU continues to maintain the lowest undergraduate fees among the 15 comparison public institutions. The 2007-08 comparison institution student fee average is \$7,122 and the CSU student fee average is \$3,521. The following table lists the 2007-08 comparison institution fee levels and changes from 2006-07:

<b>2007/08 CSU Comparison Institution</b>					
<b>Academic year Resident Undergraduate, Student Fee Levels</b>					
	<b>2006/07</b>	<b>2007/08</b>	<b>2007/08 increase</b>		
Rutgers University (Newark, NJ)	\$ 9,994	\$ 10,357	\$ 363	3.6%	
Illinois State University (Normal, IL)	\$ 8,072	\$ 9,020	\$ 948	11.7%	
University of Connecticut (Storrs, CT)	\$ 8,660	\$ 8,852	\$ 192	2.2%	
University of Maryland, Baltimore County	\$ 8,622	\$ 8,708	\$ 86	1.0%	
Wayne State University (Detroit, MI)	\$ 7,300	\$ 8,644	\$ 1,344	18.4%	
Cleveland State University	\$ 7,920	\$ 7,920	\$ -	0.0%	
University of Wisconsin at Milwaukee	\$ 7,392	\$ 7,724	\$ 332	4.5%	
University of Texas at Arlington	\$ 6,400	\$ 7,194	\$ 794	12.4%	
<b>Comparison Average<sup>1</sup></b>	<b>\$ 6,665</b>	<b>\$ 7,122</b>	<b>\$ 457</b>	<b>6.9%</b>	
George Mason University (Fairfax, VA)	\$ 6,408	\$ 6,840	\$ 432	6.7%	
State University of New York at Albany	\$ 5,938	\$ 6,018	\$ 80	1.3%	
University of Colorado at Denver	\$ 5,300	\$ 5,863	\$ 563	10.6%	
Georgia State University at Atlanta	\$ 4,818	\$ 5,422	\$ 604	12.5%	
Arizona State University at Tempe	\$ 4,690	\$ 5,122	\$ 432	9.2%	
North Carolina State University	\$ 4,781	\$ 5,117	\$ 336	7.0%	
University of Nevada at Reno	\$ 3,684	\$ 4,029	\$ 345	9.4%	
<b>California State University</b>	<b>\$ 3,199</b>	<b>\$ 3,521</b>	<b>\$ 322</b>	<b>10.1%</b>	

<sup>1</sup>Comparison Average Does Not Include CSU

The 2007-08 CSU comparison institution *graduate and nonresident* undergraduate students fees are listed with prior year fee levels in the tables that follow. CSU also has the lowest *graduate* fees among comparison institutions. The 2007-08 comparison institutions graduate student fee average is \$9,647 and CSU's graduate student fee average is \$4,163.

<b>2007/08 CSU Comparison Institution</b>					
<b>Academic year Resident Graduate, Student Fee Levels</b>					
	<b>2006/07</b>	<b>2007/08</b>	<b>2007/08 Increase</b>		
Rutgers University (Newark, NJ)	\$ 14,235	\$ 15,204	\$ 970	6.8%	
University of Maryland, Baltimore County	\$ 14,498	\$ 14,584	\$ 86	0.6%	
Wayne State University (Detroit, MI)	\$ 11,791	\$ 14,092	\$ 2,301	19.5%	
Cleveland State University	\$ 10,770	\$ 11,420	\$ 650	6.0%	
University of Colorado at Denver	\$ 8,371	\$ 10,193	\$ 1,822	21.8%	
George Mason University (Fairfax, VA)	\$ 9,225	\$ 10,110	\$ 885	9.6%	
University of Connecticut (Storrs, CT)	\$ 9,510	\$ 10,052	\$ 542	5.7%	
University of Wisconsin at Milwaukee	\$ 9,622	\$ 10,020	\$ 398	4.1%	
<b>Comparison Average<sup>1</sup></b>	<b>\$ 8,919</b>	<b>\$ 9,647</b>	<b>\$ 727</b>	<b>8.2%</b>	
University of Texas at Arlington	\$ 8,080	\$ 8,874	\$ 794	9.8%	
State University of New York at Albany	\$ 8,188	\$ 8,240	\$ 52	0.6%	
Illinois State University (Normal, IL)	\$ 7,650	\$ 7,850	\$ 15	0.2%	
Arizona State University at Tempe	\$ 6,028	\$ 6,528	\$ 500	8.3%	
Georgia State University at Atlanta	\$ 5,512	\$ 6,224	\$ 712	12.9%	
University of Nevada at Reno	\$ 5,019	\$ 5,694	\$ 675	13.5%	
North Carolina State University	\$ 5,291	\$ 5,616	\$ 325	6.1%	
<b>California State University</b>	<b>\$ 3,781</b>	<b>\$ 4,163</b>	<b>\$ 382</b>	<b>10.1%</b>	
<sup>1</sup> Comparison Average Does Not Include CSU					

Non-resident undergraduate tuition plus State University Fee at \$13,691 is in the bottom one-fifth when compared to our public comparison institutions.

<b>2007/08 CSU Comparison Institution</b>					
<b>Academic year Non-Resident Undergraduate, Student Fee Levels</b>					
	<b>2006/07</b>	<b>2007/08</b>	<b>2007/08 Increase</b>		
University of Connecticut (Storrs, CT)	\$ 21,562	\$ 22,796	\$ 1,234	5.7%	
George Mason University (Fairfax, VA)	\$ 18,552	\$ 19,728	\$ 1,176	6.3%	
Rutgers University (Newark, NJ)	\$ 18,499	\$ 19,526	\$ 1,027	5.6%	
Georgia State University at Atlanta	\$ 16,490	\$ 18,910	\$ 2,420	14.7%	
Wayne State University (Detroit, MI)	\$ 15,784	\$ 18,215	\$ 2,431	15.4%	
University of Colorado at Denver	\$ 16,930	\$ 17,754	\$ 824	4.9%	
University of Maryland, Baltimore County	\$ 17,354	\$ 17,440	\$ 86	0.5%	
North Carolina State University	\$ 16,981	\$ 17,315	\$ 334	2.0%	
Arizona State University at Tempe	\$ 15,848	\$ 17,154	\$ 1,306	8.2%	
<b>Comparison Average<sup>1</sup></b>	<b>\$ 16,174</b>	<b>\$ 17,176</b>	<b>\$ 1,002</b>	<b>5.8%</b>	
University of Wisconsin at Milwaukee	\$ 16,232	\$ 16,686	\$ 454	2.8%	
Illinois State University (Normal, IL)	\$ 14,730	\$ 16,340	\$ 1,610	10.9%	
University of Texas at Arlington	\$ 14,650	\$ 15,534	\$ 884	6.0%	
University of Nevada at Reno	\$ 13,674	\$ 14,839	\$ 1,165	8.5%	
<b>California State University</b>	<b>\$ 13,369</b>	<b>\$ 13,691</b>	<b>\$ 322</b>	<b>2.0%</b>	
Cleveland State University	\$ 13,127	\$ 13,127	\$ -	0.0%	
State University of New York at Albany	\$ 12,198	\$ 12,278	\$ 80	0.7%	

<sup>1</sup>Comparison Average Does Not Include CSU

## **COMMITTEE ON FINANCE**

### **Update on the Status of the California State University's Strategic Capital Financing Plan and Debt Capacity**

#### **Presentation By**

Colleen Nickles  
Assistant Vice Chancellor  
Financial Services

John Augustine  
Managing Director  
Lehman Brothers Inc.

#### **Introduction**

As with other major public universities, the CSU uses a combination of state and non-state external funding mechanisms to satisfy its capital needs. State-funded projects, which provide infrastructure and academic facilities for the campuses, are financed by the state through the issuance of General Obligation Bonds or Lease Revenue Bonds, issued by the State Public Works Board. The University also has the ability to issue revenue bonds to finance its revenue-driven capital projects (non-state projects), pledging the revenues from those projects. Additionally, the CSU's auxiliary organizations have the ability to issue revenue bonds, as instrumentalities of the state, for capital projects benefiting the CSU.

As has been presented to the Board a number of times during the past seven years, the University has again examined its current debt capacity to ensure that appropriate capacity is available to finance the needs identified in its five-year non-state capital outlay program. Based on the current view of the capital market and the Compact for Higher Education, the University's financing team has revised the debt capacity model it last used to report to the Board of Trustees in March 2005. This debt capacity model incorporates quantitative factors, such as financial ratios, and qualitative factors, such as student demand and the clear articulation of the system management team's strategy. At the Board meeting, a presentation will be provided to the Trustees, updating the results of the debt capacity model for current conditions.

## **COMMITTEE ON FINANCE**

### **Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects**

#### **Presentation By**

Colleen Nickles  
Assistant Vice Chancellor  
Financial Services

#### **Summary**

This item requests the Board of Trustees to authorize the issuance of Systemwide Revenue Bonds and the issuance of interim financing under the CSU's commercial paper program in an aggregate amount not-to-exceed \$52,850,000, to provide funds for three projects. The Board is being asked to approve a set of resolutions relating to these projects. The long-term bonds will be part of a future Systemwide Revenue Bond sale and are expected to bear the same ratings from Moody's Investors Service and Standard and Poor's Corporation as the existing Systemwide Revenue program bonds.

The projects are as follows:

#### **1. Long Beach Parking Structure 3**

In July 2003, the Board of Trustees approved the amendment of the non-state capital outlay program and, in January 2004, the Board approved the schematics of the project during its committee on Campus Planning, Buildings, and Grounds. At the time of these approvals, the project was phase II of a campus plan to construct two parking structures. Due to an increase in construction costs, only one of the two parking structures was financed and completed as phase II. The second of the two parking structures was delayed until the campus was able to implement a fee increase to meet the additional financial obligations of the project. The fee increase is now in place and the second of the two parking structures, now designated as Parking Structure 3, is the subject of this approval request. The Parking Structure 3 project will be located in the portion of the campus near the intersection of Palo Verde Avenue and Atherton Street. The structure will have 4 levels and will provide approximately 1,300 parking spaces and will include vehicle and pedestrian bridges between this structure and the previously built parking structure.

The not-to-exceed par value of the proposed bonds is \$24,450,000, and is based on a project cost of \$23,252,000, of which \$1,000,000 will be funded from parking reserves. The campus

received good bids for the design-bid-build project in October 2007. The campus is scheduled to start construction in January 2008 with completion in March 2009.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$24,450,000
Amortization	Approximately level over 25 years
Pro-forma maximum annual debt service	\$1,734,714
Projected debt service coverage including the new project: <sup>1</sup>	
Net revenue – All Long Beach pledged revenue programs:	3.23
Net revenue – Projected for the campus parking program:	1.30

1. Projected information – Combines 2006/07 unaudited information for the campus-pledged revenue programs and 2010/11 operations of the project with expected full debt service.

The not-to-exceed amount for the project totaling \$24,450,000, the maximum annual debt service, and the ratios above are based on an expected debt service at the current interest rate plus 50 basis points (computed average coupon of 5.12%, as of October 17, 2007), which provides a modest safeguard to be used if needed for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan includes level amortization of debt service, which is the CSU program standard. The campus has submitted a financial plan that has a 1.30 times projected program net revenue debt service coverage, which exceeds the CSU benchmark of 1.10. The campus' combined net revenue debt service coverage from all pledged revenue programs for the campus is projected at 3.23, which exceeds the CSU's 1.35 times debt service campus benchmark.

## **2. Northridge Parking Structure G-3**

In July 2006, the Board of Trustees approved the amendment of the non-state capital outlay program and, in November 2006, the Board approved the schematics of the project during its committee on Campus Planning, Buildings, and Grounds. The Parking Structure G-3 project will be located in the east portion of the campus immediately east of the Student Health Center and Chisholm Hall. The structure will have five levels and will provide approximately 1,500 parking spaces, including 36 surface parking spaces nearby. Additionally, the project will consist of east and south access roads to the structure.

The not-to-exceed par value of the proposed bonds is \$21,955,000, and is based on a project cost of \$26,473,000, of which \$6,500,000 will be funded from parking reserves. The campus

received good bids for the design-bid-build project in October 2007. The campus is scheduled to start construction in November 2007 with completion in March 2009.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$21,955,000
Amortization	Approximately level over 25 years
Pro-forma maximum annual debt service	\$1,558,144
Projected debt service coverage including the new project: <sup>1</sup>	
Net revenue – All Northridge pledged revenue programs:	2.25
Net revenue – Projected for the campus parking program:	1.81

1. Projected information – Combines 2006/07 unaudited information for the campus-pledged revenue programs and 2010/11 operations of the project with expected full debt service.

The not-to-exceed amount for the project totaling \$21,955,000, the maximum annual debt service, and the ratios above are based on an expected debt service at the current interest rate plus 50 basis points (computed average coupon of 5.12%, as of October 17, 2007), which provides a modest safeguard to be used if needed for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan includes level amortization of debt service, which is the CSU program standard. The campus has submitted a financial plan that has a 1.81 times projected program net revenue debt service coverage, which exceeds the CSU benchmark of 1.10. The campus' combined net revenue debt service coverage from all pledged revenue programs for the campus is projected at 2.25 which exceeds the CSU's 1.35 times debt service campus benchmark.

### **3. Fullerton Auxiliary Services Corporation—University Police Building Project**

The Board of Trustees previously approved at its May 2007 meeting an amendment to the 06-07 non-state capital outlay program and schematic plans for the Fullerton University Police Building project (the "Project"). The Project will involve the construction of a new university police building to replace an existing outdated facility which is a temporary building. The new building will address the operational and security demands of the university police department and, more importantly, enable the department to meet a set of established professional standards and maintain its accreditation with the Commissions on Accreditation for Law Enforcement.

The total project construction cost is \$6,369,000, of which \$400,000 will be funded by campus parking reserves for parking-related costs associated with the Project, and the remainder financed by bonds at a not-to-exceed par amount of \$6,445,000. Good construction bids were received on



September 20, 2007, with construction scheduled to begin in November 2007 and completed in January 2009.

The bonds will be secured by a Ground and Facility Lease whereby the CSU Trustees will lease the completed Project to Auxiliary Services Corporation (the "Corporation"), an authorized CSU Fullerton auxiliary organization in good standing. The Corporation will be obligated under such lease to make lease payments to the CSU Trustees, which will apply those payments toward the repayment of debt service on the bonds. The Corporation has pledged as security on the bonds gross revenues from available funds, including rental income from the campus from a sublease of the Project. This gross revenues pledge excludes any rental income or other revenues from the Corporation's College Park office building. The pledge of gross revenues will not exceed 1.25 times maximum annual debt service.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$6,445,000
Amortization	Approximately level over 30 years
Pro-forma maximum annual debt service	\$424,552
Projected debt service coverage:	
Corporation gross revenue for all Corporation debt:	2.54
Project pledged revenue:	1.25

Based on the financial plan submitted, the auxiliary demonstrates good coverage of debt service and meets the CSU benchmarks of 1.25 times debt service for auxiliary debt programs and projects. The bond par amount was based on an average coupon of 5.18% (as of October 17, 2007), reflective of market scale plus 50 basis points as a cushion to account for any market fluctuations that could occur before the permanent financing bonds are sold.

### **Trustee Resolutions and Recommended Action**

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

1. Authorize the sale and issuance of Systemwide Revenue Bond Anticipation Notes and the related sale and issuance of the Trustees of the California State

University Systemwide Revenue Bonds in an amount not-to-exceed \$52,850,000, and certain actions relating thereto.

2. Provide a delegation to the Chancellor; the Executive Vice Chancellor and Chief Financial Officer; the Assistant Vice Chancellor, Financial Services; and the Director, Financing and Treasury; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes and the revenue bonds.

Approval of the financing resolutions for the projects as described in this Agenda Item 5 of the Finance Committee at the November 13-14, 2007 meeting of the CSU Board of Trustees is recommended for:

**Long Beach Parking Structure 3**

**Northridge Parking Structure G-3**

**Fullerton Auxiliary Services Corporation—University Police Building Project**