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**MINUTES OF MEETING OF CSU INSTITUTE BOARD**

Chancellor's Office  
401 Golden Shore, 6<sup>th</sup> Floor, Rm. 639

October 25, 2018

10:00am

**Board of Directors Present**

1. Timothy White, Chairman
2. Loren Blanchard, Secretary
3. Steven Relyea, Treasurer
4. Evelyn Nazario, Director

**Staff Present**

1. Michelle Chung, Manager, Short Term & Equipment Finance
2. Robert Eaton, Assistant Vice Chancellor, Finance and Treasury
3. Mary Ek, Assistant Vice Chancellor, Financial Services
4. Syrus En, Director, Short Term and Structured Financing
5. Stephanie Honda, Assistant Director, Financial Services Administration
6. Sedong John, Director, Systemwide Accounting & Reporting

**Not in Attendance**

1. Garrett Ashley, Director

Chairman White called the meeting to order at 10:17am.

Meeting minutes were taken by Stephanie Honda.

**Item 1 – CSU Institute Board Minutes – June 5, 2018**

Chairman White asked if there were any comments regarding the minutes and if not, he requested a motion to approve the minutes. Treasurer Relyea moved to approve. Secretary Blanchard seconded the motion. Approved 4-0.

**Item 2 – Appointment of Evelyn Nazario to CSUI Board of Directors and Audit Committee**

Ms. Ek informed the CSU Institute Board of Directors that the Chancellor has signed a letter appointing Evelyn Nazario, Vice Chancellor Human Resources, to the CSUI Board of Directors for a three year term. Ms. Nazario will also serve on the CSUI Audit Committee.

CSU Campuses  
Bakersfield  
Channel Islands  
Chico  
Dominguez Hills  
East Bay

Fresno  
Fullerton  
Humboldt  
Long Beach  
Los Angeles  
Maritime Academy

Monterey Bay  
Northridge  
Pomona  
Sacramento  
San Bernardino  
San Diego

San Francisco  
San José  
San Luis Obispo  
San Marcos  
Sonoma  
Stanislaus

**Item 3 – Update on Acceptance of June 30, 2018 Audited Financial Statements**

Ms. Ek informed the board that the CSUI Audit Committee met on September 13, 2018 with KPMG to review the audited financial statements. The Audit Committee found no issues or red flags associated with the audited statements. This determination was further supported by KPMG. KPMG provided a presentation on their responsibilities and gave the CSU Institute financial statements a clean opinion. Ms. Ek informed the board that a copy of the KPMG presentation and financial statements were included in their meeting materials.

Ms. Ek indicated there was nothing extraordinary to note in the financial statements. She pointed out on page 3, the net position of CSUI has been holding at just over \$3M for last few years. The activity is up and down based upon our issuance of bond anticipation notes.

Chairman White thanked the staff for a clean audit, their sound judgment and attention to detail. Ms. Ek recognized Sedong John and his team. Ms. Ek also mentioned that Mr. John will be retiring and that this would be his last CSUI Board of Directors meeting.

Chairman White wished Mr. John well in his retirement and reiterated his gratitude for the clean audit and stated the importance of being pleased with the audit results yet not losing vigilance over the financial statements going forward.

**Item 4 – Approve Updates to the CSU Institute Governing Documents (Action) – Mary Ek**

Ms. Ek presented proposed updates to the CSU Institute governing documents. The proposed revisions to the bylaws, operating agreement and Audit Committee charter were outlined in the agenda item as well as included in the meeting materials as redlines. The proposed changes are intended to modernize the document language to reflect current practices. In addition, the operating agreement had to be renewed using the approved systemwide auxiliary template. The proposed revisions were reviewed by the CSU Office of the General Counsel. The Audit Committee charter was revised to align with the revised bylaws. The Audit Committee charter's proposed revision would also remove the requirement for a mandatory annual closed or executive session without management present.

Chairman White requested that Ms. Ek ensure that the revised Audit Committee charter include a provision for the Audit Committee chairperson to have the ability to call a closed meeting or executive session without management in attendance, if needed, or if requested by auditors or outside counsel. Ms. Ek indicated that this option exists and she will ensure the charter spells this out.

Chairman White asked for motion to approve the revised governing documents contingent upon the inclusion of the provision for the Audit Committee Chairperson to call a closed meeting or executive session as needed. Secretary Blanchard moved to approve. Treasurer Relyea seconded the motion. Approved 4-0.

**Item 5 – Update on the California State University Commercial Paper Program**

Mr. Eaton provided an update on CSUI's commercial paper ("CP") program. The CP has a current balance just under \$23M at an average rate of 1.70%. The balance is a considerable decrease from the last meeting due to the pay down of approximately \$166M in commercial paper through the proceeds of our 2018 bond issuance. CSU Institute also issued \$20M in new CP for four capital outlay projects for academic facilities. We plan to issue approximately \$37M in additional new CP for the Sonoma State

Petaluma Property Acquisition project in December or January pending CSU Board of Trustee approval. In January, there will be another CP issuance of approximately \$40-55M for the next wave of academic projects.

Mr. Eaton introduced Michelle Chung who will be on point for the commercial paper program. She will also be involved with renewing our letter of credit next year and handling other short term issuance. Chairman White welcomed Ms. Chung.

Chairman White asked Mr. Eaton to comment on the anticipated increase in interest rates and the impact on project financing in general. Mr. Eaton acknowledged that for commercial paper, the short term interest rates –which are expected to increase in the next 12-18 months to 2-3% -- have been on the rise more so than long term rates. Mr. Eaton further added that the impact of rising interest rates is buffered by adequate interest rate cushion conservatively built in the project bond sizing.

Meeting was adjourned at 10:38.

  
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Approved by Secretary Loren Blanchard

11/6/2018  
Date