

AGENDA

COMMITTEE ON FINANCE

Meeting: 1:15 p.m., Tuesday, November 14, 2006
Glenn S. Dumke Auditorium

William Hauck, Chair
Moctesuma Esparza, Vice Chair
Herbert L. Carter
Carol R. Chandler
Kenneth Fong
Melinda Guzman
Raymond W. Holdsworth
Ricardo F. Icaza
Andrew LaFlamme
A. Robert Linscheid
Craig R. Smith
Glen O. Toney

Consent Item

Approval of Minutes of Meeting of September 19, 2006

Discussion Items

1. Report on the 2007-2008 Support Budget, *Action*
2. California State University Education Doctorate State University Fee – Independent Educational Doctoral Degree Program, *Action*
3. 2007-2008 Lottery Revenue Budget, *Action*
4. 2006-2007 Student Fee Report, *Information*
5. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for a Parking Project at California State University, San Bernardino, *Action*
6. Public/Private Partnership Office Building Project at California State University, Bakersfield, *Action*
7. Revenue Management Program, *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**

September 19, 2006

Members Present

William Hauck, Chair
Roberta Achtenberg, Chair of the Board
Herbert L. Carter
Carol R. Chandler
Kenneth Fong
Raymond W. Holdsworth
Ricardo F. Icaza
Andrew LaFlamme
A. Robert Linscheid
Charles B. Reed, Chancellor
Craig R. Smith
Glen O. Toney

Approval of Minutes

The minutes of July 18, 2006 were approved.

Report of the Ad Hoc Committee on Alternative Revenue Sources

Trustee Hauck explained the purpose of the Committee on Alternative Revenue Sources was to explore other non-general fund, non-student fee related revenue opportunities that might augment the state contribution to the CSU budget.

The committee was formed in January, 2006, and included: trustees Hauck, Gowgani, Guzman, and La Flamme, as well as, Don W. Kassing, president, San Jose State University, Milton A. Gordon, president, CSU, Fullerton, and Richard P. West, executive vice chancellor and chief financial officer.

The committee met in June and August of 2006 and produced a report of its findings. Mr. West reviewed the report as reproduced in the agenda item. Some of the options reviewed included, land development, philanthropic gifts, sponsored contracts and grants, exclusive provider arrangements and leasebacks. He noted the University currently receives revenues from most of these areas.

The conclusion of the committee was that the amount of revenue generated from these sources while significant and important in helping to provide a measure of excellence, would never supplant existing resources.

Trustee Hauck stated that the committee made a thorough effort to look at whether there were potential revenue producing enterprises that would contribute to the operating income of the university and the conclusion is there are not, beyond what is already being done. CSU is a public university and will remain a public university that is dependent upon funding from the legislature and the governor and to lesser extent, student fees. Given the lack of appropriate funding provided by the State, efforts will continue to share best practices with the campuses in order to increase addition revenue.

Report on the 2007-2008 Support Budget

Mr. Patrick Lenz, assistant vice chancellor, for the budget, presented the information item.

Utilizing a PowerPoint slide presentation, Mr. Lenz recapped the 2006/2007 budget outcomes. He added it is a reasonable assumption that there will be some growth in state General Fund revenues in 2007/2008, however it is unlikely the state will see anything close to the \$8 billion in new revenue identified in the 2006/2007 budget.

Mr. Lenz further updated the committee on California's fiscal condition and the anticipated revenue and expenditure plan to support the 2007/2008 CSU budget.

Mr. Lenz observed there is a long way to go in the budget process. In the immediate future, the upcoming elections and the passage of Proposition 1D will all have an influence on our budget recommendations in November.

The Board will decide in November on a 2007/2008 budget. Once approved, meetings will be scheduled with the appropriate entities to advocate our budget.

2007-2008 Lottery Revenue Budget

Mr. Lenz explained CSU's lottery revenue budget was similar to the 2006/2007 budget, with the exception of an additional \$1 million in lottery revenue receipts.

The 2007/2008 proposed lottery revenue budget is \$44.4 million with \$39.4 million available for allocation, less \$5 million in reserve funds.

Mr. Lenz noted CSU does not anticipate any additional carry forward funds in 2007/2008 above the planned \$5 million budget reserve.

California State University Annual Investment Report

Trustee Hauck introduced Mr. Russ Gould, senior officer with Wachovia Bank and Metropolitan West Securities. Metropolitan West is the external fund manager hired to invest funds consistent with the investment policy of the Board of Trustees.

With the use of a PowerPoint presentation, Mr. Gould presented an update on the CSU's investment program. Mr. Gould addressed a number of areas affecting the university's investments including current economic and market factors, and how they affect the performance of the different portfolios. He also clarified the differences and respective purposes of the three investment accounts, e.g., the Short Term, Medium Term and Long Term accounts as well as statistics on the performance of each account for fiscal year 2005/2006.

Mr. Gould stated he was generally pleased with the portfolio's performance during the past year and noted it is well positioned for success in the current economic circumstances. He assured the committee that Metropolitan West remains committed to the goals of the CSU's investment program and will continue to utilize conservative and thoughtful investment tactics to achieve returns for the university.

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

Mr. Dennis Hordyk, assistant vice chancellor, financial services, presented the item.

The item was a request by Sonoma State University for the Board of Trustees to authorize the issuance of Systemwide Revenue Bonds and the issuance of interim financing under CSU's commercial paper program in an aggregate amount not-to-exceed \$12,910,000 to provide funds for the Green Music Center project. Mr. Hordyk explained that construction, labor, and material cost escalations have necessitated the requirement for this additional project funding.

If approved, the request would provide funds for completion of the Green Music Center concert hall and the music and faculty office-building portion of the project.

Mr. Hordyk provided background on the history of the project and an update on the current status of activities related to it. He also provided a detailed explanation of the project's funding structure as outlined in the written agenda item.

A discussion took place regarding increased project costs and on clarification of the budget and financing terms as well as the debt service ratios.

Site preparation for the concert hall has begun and construction is scheduled to begin in Fall 2006 and completed in Winter 2008.

The committee recommended approval of the proposed resolution (RFIN 09-06-04).

Real Property Development Project at California State Polytechnic University, Pomona for Innovation Village Phase IV, Commercial Office and Research Facility for the Trammell Crow Company

Mr. Hordyk explained the item concerned Phase IV of a public/private development known as Innovation Village. The Innovation Village was conceived as a 960,000 square foot development with multiple projects and was incorporated into the campus master plan at the July 2000 Board of Trustees Meeting.

Mr. Hordyk explained that Trammell Crow would finance, construct, manage, and sublease the project to future Village tenants. They will have sole responsibility for the debt service on this building, and no state or Trustees financing will be required nor will debt be reflected on the CSU's financial statements.

Dr. J. Michael Ortiz, president, California State Polytechnic University, Pomona, addressed the committee and informed them of the numerous benefits and opportunities available to students resulting from the various project components.

Trustee Holdsworth asked about what rights the CSU would have if Trammell Crow ever sells the property, abandons the lease, or is taken over by another firm. Dr. Ed Barnes, vice president administrative affairs for the campus, explained that the sublease is very explicit, requiring that the university must approve any transfer of assets to another entity, therefore mitigating the possibility of any significant burden to the system.

The committee recommended approval of the proposed resolution (RFIN 09-06-05).

Public/Public Partnership Project at California State University, Los Angeles with Los Angeles County Office of Education for the Los Angeles County High School for the Arts

The item requests conceptual approval of a public/private partnership with the Los Angeles County Office of Education to build an approximately 45,000 square foot facility on the CSU, Los Angeles campus to accommodate the Los Angeles County High School for the Arts (LACHSA).

Mr. Hordyk explained LACHSA is a specialized high school that has been located on the CSU, Los Angeles campus since 1986 and has leased space from the campus since that time to run its programs.

Mr. Hordyk reviewed the background, project description, financing details, and educational benefits of the proposed partnership as outlined in the written item. Dr. James M. Rosser, president, CSU, Los Angeles, addressed the committee and shared his insights and experience with the school during its long association with the campus.

Mr. Hordyk indicated the item was presented for conceptual approval only at this time and would be brought back to the committee at a later date for further approval.

The committee recommended approval of the proposed resolution (RFIN 09-06-06).

Public/Private Partnership Project at California State University, Los Angeles with The Alliance for College-Ready Public Schools for a Math and Science Charter High School

The Alliance for College-Ready Public Schools (the Alliance) is proposing to build a 30,000 square foot specialized Math and Science charter high school (MASS) on the campus of CSU, Los Angeles.

The proposed site for the school is an existing parking lot at the southern part of the campus and its intent is to serve students from surrounding neighborhoods.

The facility would be a shared-use facility with the campus and would incorporate a Center for Professional Development. The facility would be available to the campus following MASS's normal school schedule.

Mr. Hordyk reviewed the details of the project including the financing structure and significant educational benefits to both high school and campus credential students.

Dr. James Rosser addressed the committee and presented further information on the proposed project as well as background and personal experience with the Alliance.

Trustee Hauck requested that additional financial information and/or financial statements be provided on the Alliance, and Trustee Holdsworth suggested looking at the impact of the project on campus expansion plans as we move forward with this project.

The committee recommended approval of the proposed resolution (RFIN 09-06-07).

COMMITTEE ON FINANCE

Report on the 2007-2008 Support Budget

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Patrick J. Lenz
Assistant Vice Chancellor
Budget

Summary

The Board of Trustees will be presented with an update of California's fiscal condition, and recommendation for approval of the 2007-08 CSU budget.

California's Fiscal Condition

An updated overview of California's fiscal condition will be made available to the Board that will include the fiscal forecast by the Legislative Analyst Office due for release in early November.

2007-2008 Support Budget

A presentation on the CSU's 2007-08 expenditure plan was provided to the Board of Trustees at the September meeting to indicate anticipated revenue based on the Higher Education Compact, the expenditure of those funds, and the additional resources necessary to support additional CSU budget priorities. The 2007-08 expenditure plan includes a 4 percent general operation increase, funding to support 2.5 percent enrollment growth, and a revenue augmentation needed to preclude any increase in student fees.

The budget augmentations and statutory changes, along with an improved state fiscal condition sets the stage for the Board to recognize the Compact Agreement as a "funding floor" in the development of the 2007-08 budget. To date, the estimated revenue based on the Compact for the 2007-08 CSU budget would assume the following:

2006-07 Final CSU Budget		\$4,049,141,000
General Fund	\$2,812,194,000	
State University Fee Revenue	\$1,236,947,000	

2007-08 Compact Revenue Projections		\$266,815,000
State General Fund Increases		\$241,615,000
General Operations (4%)	\$109,736,000	
Enrollment Growth (2.5%)	\$ 64,244,000	
MS Nursing Enrollment Growth	\$ 2,467,000	
Revenue Augmentation	\$ 65,168,000	

State University Fee Revenue (Enrollment Growth)		\$25,200,000
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Based on this estimate of revenue, the 2007-08 expenditure plan funds the same types of priorities approved in previous years, including mandatory costs, enrollment growth, financial aid, long-term need, compensation and funding to support the second year of a five year plan to reduce the salary gap for many of the CSU's employee groups.

2007-08 Compact Expenditure Projections		\$266,815,000
Mandatory Costs		\$41,968,000
Health Benefits	\$28,034,000	
New Space	\$ 6,000,000	
Energy Costs	\$ 4,000,000	
Full Year SSI	\$ 3,934,000	
Enrollment Growth		\$79,146,000
2.5% Enrollment Growth (8,351 FTES)	\$76,679,000	
MS Nursing Enrollment Growth (163 FTES)	\$ 2,467,000	
Financial Aid		\$ 6,221,000
Compensation (3% for all employee groups)		\$82,788,000
Year 2 of 5 Year Salary Lag Plan		\$46,692,000
Long Term Need <i>(Libraries, Technology, Deferred Maintenance)</i>		\$10,000,000

In addition to the expenditures funded with Compact revenues, the Board has recognized that many of CSU's fiscal needs are not funded due to a lack of resources from the state. Many of these challenges can be attributed to the \$522 million in budget reductions the University received earlier this decade, although some of the augmentation requests identified below are a result of new demands on the CSU. The following ongoing and one-time requests are recommended for inclusion in the 2007-08 Trustee support budget request, above the Compact funding level.

2007-08 Budget Challenges

Ongoing Programs		\$ 71,700,000
Applied Research	\$12,000,000	
Clinical Nursing Support	\$ 4,300,000	
K-12 Math and Science Teachers	\$ 2,000,000	
Compensation (1%)	\$27,600,000	
Increase Number of Special Education Teachers	\$ 1,200,000	
Student Services Initiative	\$24,600,000	
One-Time Programs		\$ 50,000,000
Information Technology	\$25,000,000	
Deferred Maintenance	\$25,000,000	

In addition to the Compact expenditures and budget challenges noted above, the CSU continues to identify priorities within the system that have not been funded in recent years, yet remain vital to the success of the University's educational program. These items continue to be budget issues as the CSU enters the 2007-08 budget cycle.

Additional Unmet Need		\$832,000,000
Instructional Equipment	\$ 43,000,000	
Libraries	\$ 11,000,000	
Deferred Maintenance <i>(10 year annualized cost = \$40.4M)</i>	\$405,000,000	
Reducing the Salary Gap	\$328,000,000	
Off Campus Centers	\$ 5,000,000	
ACR 73	\$ 40,000,000	

Recommended Action

The following resolution is recommended for adoption:

RESOLVED, By the Board of Trustees of the California State University, that the 2007-08 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 copies of this resolution be transmitted to the California Postsecondary Education Commission, to the governor, to the director of finance and to the legislature.

REVISED

COMMITTEE ON FINANCE

California State University Education Doctorate State University Fee – Independent Educational Doctoral Degree Program

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Patrick Lenz
Assistant Vice Chancellor
Budget

Summary

This action item is presented to the Board of Trustees to consider authorization of a new fee, the CSU Education Doctorate State University Fee, which will be charged in lieu of the CSU State University Fee (SUF) students currently pay to attend the university. The Education Doctorate fee rate is recommended to implement the provisions of SB 724 (Scott), which established the independent doctorate for CSU. The law authorizes CSU to charge fees for its independent education doctoral program consistent with the University of California's educational fee for doctoral programs in order to satisfy program costs.

Background

The Board of Trustees reviewed this item at the May 2006 board meeting. The board has the authority to establish, adjust, and abolish systemwide fees.

On September 22, 2005, Governor Schwarzenegger signed into law SB 724 (Scott), which for the first time allowed the California State University to offer an independent doctoral degree. Prior to SB 724, CSU could only offer joint doctorate programs with the University of California or with a private university. Recognizing there is an urgent need for well-prepared administrators to lead public school and community college reform efforts, the State supported CSU's request to offer graduate level instruction that would lead to the Doctorate of Education degree. The Doctorate of Education degree offered by the California State University is focused on preparing administrative leaders for California public elementary and secondary school districts and community colleges, and on the knowledge and skills needed by administrators to be effective leaders for California public schools and community colleges.

SB 724 stipulates that State funding for Doctorate of Education degree instruction by the

REVISED

California State University shall be provided on a per full-time equivalent basis at the marginal rate for new enrollment growth within growth levels authorized by the annual Budget Act. Section 66040.5 of the law also stipulates that each student in the programs authorized by this article shall be charged fees no higher than the rate charged for students in state-supported doctoral degree programs in education at the University of California, including joint education doctorate programs of the California State University and the University of California. Finally, the legislation stated that the CSU should not return to the Department of Finance and the legislature requesting more state funds to support these doctoral programs.

Following analysis of the cost associated with offering the education doctorate, a fee action is recommended to the Board that incorporates the following:

1. A new fee will be established as the CSU Education Doctorate State University Fee and will be charged in lieu of the CSU State University Fee for students enrolled in the Education Doctorate Program.
2. The fee structure will be a modified version of the State University Fee structure. Regular student fees will be defined as the fee rate for students enrolled in the Education Doctorate Program independent of number of units. Limited student fees will not apply to the Education Doctorate Program. Regular student fees will be equal to the full academic year fee rate. The summer term fee rate shall equal the academic year term rate regular students are charged, respectively, at semester or quarter campuses.
3. The CSU Education Doctorate State University Fee rate will be linked to the UC graduate fee rate (or their Education Doctorate fee rate if a separate professional fee is so established in the future). Increases in the CSU Education Doctorate State University Fee will be tied to the percentage increase in the UC graduate fee. For the 2007-08 academic year the fee level will be the adjusted rate based on the 2006-07 University of California fee of \$6,897 - the amount reflecting the graduate mandatory fees approved by the University of California Regents for the 2007-08 academic year.
4. Because of the limited needs-based financial aid requirement for education doctorate student enrollments, the financial aid set-aside from student fees will be 10 percent of the academic year fee rate. After need-based aid has been provided, any remaining funds from the set-aside would be used for general program purposes or student support.
5. Employee fee waivers will have to be negotiated for the new fee and the cost for the waiver shall be funded from the employee compensation pool for each bargaining unit and non-represented employees.
6. The trustees will annually approve the academic year fee rate for the program.

7. Students enrolled in the Education Doctorate Program will also pay campus-based mandatory fees.

The fee model recommended will generate sufficient revenue to fund total program cost and still keep CSU firmly within the legislative guidelines established in SB 724.

Recommended Action

The following resolution is recommended for adoption:

CSU Education Doctorate State University Fee

RESOLVED, By the Board of Trustees of the California State University, that the CSU Education Doctorate State University Fee is hereby established, which shall be authorized at a fee level that equals the graduate student fee (or Education Doctorate fee rate if a separate professional fee is so established in the future) at the University of California; and, be it further

RESOLVED, That the fee rate approved for the 2007-08 academic year the fee level will be the adjusted rate based on the 2006-07 University of California fee of \$6,897 - the amount reflecting the graduate mandatory fees approved by the University of California Regents for the 2007-08 academic year; and be it further

RESOLVED, That the chancellor may approve individual campus CSU Education Doctorate State University Fee rates that do not exceed the maximum graduate fee rates charged by the University of California, and be it further

RESOLVED, The chancellor is delegated authority to further adopt, amend, or repeal the CSU Education Doctorate State University Fee rate if such action is required by the budget act approved for 2007-08, and that such changes made by the chancellor are communicated promptly to the trustees.

COMMITTEE ON FINANCE

2007-2008 Lottery Revenue Budget

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Patrick J. Lenz
Assistant Vice Chancellor
Budget

Summary

The California State University proposed 2007-08 lottery revenue budget is presented for consideration. The 2007-08 projected lottery revenue is \$44.4 million with \$39.4 million available for allocation not including a \$5 million systemwide reserve. The lottery revenue projection reflects an increase of \$1 million from prior year receipts. The beginning reserves and projected interest earnings are maintained at \$5 million and \$.4 million, respectively, and the University does not anticipate any additional carry forward funds in 2007-08 above the planned \$5 million budget reserve. The \$5 million reserve is used to address cash-flow variations resulting from fluctuations in quarterly lottery receipts and other economic uncertainties.

The \$39.4 million lottery budget plan will continue to be designated to three system programs (Chancellor's Doctoral Incentive Program, California Pre-Doctoral program, CSU Summer Arts Program) and campus based programs. 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 doctoral aspirations of CSU students 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 remainder of the \$35.5 million is used for campus-based programs and systemwide implementation costs. The campus based programs represent a significant source of funds that allow campuses 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.

Further collection and review of campus lottery expenditures is in progress and more detailed information will be presented to the Board at the November meeting.

The CSU proposed 2007-08 lottery revenue budget is as follows:

2007/08 Proposed Lottery Revenue Budget

	2006/07 Adopted Budget	2007/08 Proposed Budget
Sources of Funds		
Beginning Reserve	\$ 5,000,000	\$ 5,000,000
Additional Carryforward	7,600,000	0
Receipts	38,000,000	39,000,000
Projected Interest Earnings	400,000	400,000
Total Revenues	<u>\$ 51,000,000</u>	<u>\$ 44,400,000</u>
<i>Less Systemwide Reserve</i>	<i>(5,000,000)</i>	<i>(5,000,000)</i>
Total Available for Allocation	<u>\$ 46,000,000</u>	<u>\$ 39,400,000</u>
Uses of Funds		
<i>System Programs</i>		
Chancellor's Doctoral Incentive Program	\$ 3,000,000	\$ 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
	<u>\$ 5,405,000</u>	<u>\$ 4,405,000</u>
<i>Campus Based Programs</i>		
Campus/CO Programs	\$ 34,595,000	\$ 34,595,000
Campus/CO Interest	\$ 400,000	\$ 400,000
	<u>\$ 34,995,000</u>	<u>\$ 34,995,000</u>
<i>Planned Carryforward Expenditures</i>	\$ 5,600,000	\$ -
Total Uses of Funds	<u>\$ 46,000,000</u>	<u>\$ 39,400,000</u>

The following resolution is recommended for adoption:

RESOLVED, By the Board of Trustees of the California State University, that the 2007-08 Lottery Revenue budget totaling \$44.4 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

RESOLVED, that the chancellor is hereby granted authority to adjust the 2007-08 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.

COMMITTEE ON FINANCE

2006-2007 Student Fee Report

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Patrick J. 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 2006-07 academic year, resident, undergraduate student fees required to apply to, enroll in, or attend the university by campus, and 2005-06 versus 2006-07 summary fee levels by campus.

Also, included are tables with 2006-07 fees levels at CSU comparison public institutions. The California Postsecondary Education Commission has historically referenced 15 institutions for faculty compensation and student fee comparisons. Comparison of 2005-06 academic year resident, undergraduate, graduate, and nonresidents student fee levels at CSU and 15 public comparison institutions are presented.

2006-07 Student Fee Report

2006-07 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 \$3,199. The total is comprised of \$2,520 for the undergraduate SUF (6.1 units or more) and \$679 for the average campus based fees that must be paid to apply to, enroll in, or attend the university.

The 2006-07 systemwide State University Fee levels remained constant from 2005-06. 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 1998-99 and 1999-00. The board retains authority to establish, adjust, and abolish systemwide fees.

The average campus based fees in 2006-07 are \$679, which represents a \$35 or 5.4 percent increase from the prior year. Mandatory campus based fees are increased following consultation with the student fee advisory committee and either a supportive student referendum or other appropriate consultation based on Executive Order 740. Increases in campus mandatory fees in 2006-07 resulted primarily from fees associated with the construction of new student recreation centers and/or student union buildings. Additionally, some campuses have authorized, through the fee referendum process, annual incremental fee increases tied to the California Price Index. 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 University's 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. Similar to undergraduate fees, systemwide SUF levels have not increased since 2005-06. In 2005-06, credential program participant SUF rates increased 8 percent to \$1,698 for 6 units or less and \$2,922 for 6.1 units or more per academic year. In 2005-06, graduate/other post-baccalaureate SUF rates increased 10 percent to \$1,800 for 6 units or less and \$3,102 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 was no increase in the nonresident tuition fee rate from 2004-05 to 2005-06. 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 2006-07 academic year resident, undergraduate student fees by campus, and 2005-06 versus 2006-07 summary fee levels by CSU campus:

CSU 2006/07 Academic Year Resident Undergraduate Fees¹

	State University Fee (SUF)		Campus Fees (Annual fees that must be paid to apply to, enroll in, or attend the university)						Total (6.1 units or greater)
	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	\$1,464	\$2,520	6	210	66	12	261	312	\$3,387
Channel Islands	1,464	2,520	6	120	100	70	124	40	2,980
Chico	1,464	2,520	6	224	224	4	110	324	3,412
Dominguez Hills	1,464	2,520	6	130	10	0	135	210	3,011
East Bay	1,464	2,520	6	129	48	3	75	165	2,946
Fresno	1,464	2,520	6	174	20	46	63	210	3,039
Fullerton	1,464	2,520	6	60	52	46	118	208	3,010
Humboldt	1,464	2,520	6	257	96	10	101	185	3,175
Long Beach	1,464	2,520	6	90	50	10	88	100	2,864
Los Angeles	1,464	2,520	6	165	60	0	54	275	3,080
Maritime Academy	1,464	2,520	6	580	130	30	210	0	3,476
Monterey Bay	1,464	2,520	0	0	53	291	96	42	3,002
Northridge	1,464	2,520	6	102	30	0	144	240	3,042
Pomona	1,464	2,520	6	135	40	0	88	226	3,015
Sacramento	1,464	2,520	6	132	21	0	241	362	3,282
San Bernardino	1,464	2,520	6	122	74	15	66	289	3,092
San Diego	1,464	2,520	50	170	190	20	30	180	3,160
San Francisco	1,464	2,520	6	210	198	4	84	144	3,166
San Jose	1,464	2,520	6	143	198	30	147	252	3,296
San Luis Obispo	1,464	2,520	7	153	232	871	238	328	4,349
San Marcos	1,464	2,520	50	100	80	112	100	130	3,092
Sonoma	1,464	2,520	24	218	370	24	144	348	3,648
Stanislaus	1,464	2,520	6	187	47	65	98	120	3,043
CSU Average	\$1,464	\$2,520	\$10	\$166	\$104	\$72	\$122	\$204	\$3,199

Average Campus Based Fees: \$679

¹Credential SUF rates \$1,698 0-6 units / \$2,922 6.1+ units; Graduate SUF rates \$1,800 0-6 units / \$3,102 6.1+ units. The 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 2006/07 versus 2005/06 Academic Year
 Resident, Undergraduate Student Systemwide and Campus Fees**

Campus	2006/07	2005/06	Increase
Bakersfield	\$3,387	\$3,318	\$69
Channel Islands	2,980	2,980	0
Chico	3,412	3,370	42
Dominguez Hills	3,011	2,991	20
East Bay	2,946	2,916	30
Fresno	3,039	2,986	53
Fullerton	3,010	2,990	20
Humboldt	3,175	3,167	8
Long Beach	2,864	2,864	0
Los Angeles	3,080	3,035	45
Maritime Academy	3,476	3,446	30
Monterey Bay	3,002	2,999	3
Northridge	3,042	3,036	6
Pomona	3,015	3,006	9
Sacramento	3,282	3,072	210
San Bernardino	3,092	3,092	0
San Diego	3,160	3,122	38
San Francisco	3,166	3,128	38
San Jose	3,296	3,292	4
San Luis Obispo	4,349	4,245	104
San Marcos	3,092	3,062	30
Sonoma	3,648	3,616	32
Stanislaus	3,043	3,030	13
CSU Average	3,199	\$3,164	35
Systemwide SUF:	\$2,520	\$2,520	
Avg. Campus Based Fees:	\$679	\$644	

The 2006-07 CSU comparison institution academic year resident, *undergraduate*, student fees are provided below. These are the institutions used by CPEC for faculty compensation and student fee comparisons. CSU continues to maintain the lowest undergraduate fees among the 15 comparison public institutions. The 2006-07 comparison institutions student fee average is \$6,665 and the CSU student fee average is \$3,199. The following table lists the 2006-07 comparison institution fee levels and changes from 2005-06.

2006/07 CSU Comparison Institution				
Academic year Resident Undergraduate, Student Fee Levels				
University	2006/07	2005/06	2006/07 Increase	
Rutgers University (Newark, NJ)	\$9,994	\$9,221	\$773	8.4%
University of Connecticut (Storrs, CT)	8,660	7,912	748	9.5%
University of Maryland, Baltimore County	8,622	8,520	102	1.2%
Illinois State University (Normal, IL)	8,039	6,801	1,238	18.2%
Cleveland State University	7,920	7,158	762	10.6%
Wayne State University (Detroit, MI)	7,300	6,898	403	5.8%
State University of New York at Albany	6,727	6,604	123	1.9%
University of Wisconsin at Milwaukee	6,630	6,224	406	6.5%
Comparison Average¹	6,665	6,132	533	8.7%
George Mason University (Fairfax, VA)	6,408	5,880	528	9.0%
University of Texas at Arlington	6,400	5,693	707	12.4%
University of Colorado at Denver	5,300	4,611	689	14.9%
Georgia State University at Atlanta	4,818	4,464	354	7.9%
North Carolina State University	4,781	4,318	463	10.7%
Arizona State University at Tempe	4,690	4,408	282	6.4%
University of Nevada at Reno	3,684	3,270	414	12.6%
California State University	3,199	3,164	35	1.1%
¹ Average does not include CSU				

The 2006-07 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 average graduate student fee at the comparison institutions is \$8,880, while CSU's graduate student fee average is \$3,781.

2006/07 CSU Comparison Institution					
Academic year Resident Graduate, Student Fee Levels					
	2006/07	2005/06	2006/07 Increase		
University of Maryland, Baltimore County	\$ 14,498	\$ 13,886	\$ 612	4.4%	
Rutgers University (Newark, NJ)	\$ 12,859	\$ 11,396	\$ 1,463	12.8%	
Wayne State University (Detroit, MI)	\$ 11,791	\$ 10,409	\$ 1,382	13.3%	
Cleveland State University	\$ 10,770	\$ 10,023	\$ 747	7.5%	
University of Wisconsin at Milwaukee	\$ 9,622	\$ 9,178	\$ 444	4.8%	
University of Connecticut (Storrs, CT)	\$ 9,510	\$ 8,970	\$ 540	6.0%	
George Mason University (Fairfax, VA)	\$ 9,225	\$ 9,000	\$ 225	2.5%	
State University of New York at Albany	\$ 9,110	\$ 9,110	\$ -	0.0%	
Comparison Average¹	\$ 8,880	\$ 8,257	\$ 598	7.2%	
University of Colorado at Denver	\$ 8,371	\$ 7,986	\$ 384	4.8%	
University of Texas at Arlington	\$ 8,080	\$ 7,373	\$ 707	9.6%	
Illinois State University (Normal, IL)	\$ 7,650	\$ 6,501	\$ 1,334	20.5%	
Arizona State University at Tempe	\$ 6,028	\$ 5,562	\$ 466	8.4%	
Georgia State University at Atlanta	\$ 5,512	\$ 5,194	\$ 318	6.1%	
North Carolina State University	\$ 5,151	\$ 4,856	\$ 295	6.1%	
University of Nevada at Reno	\$ 5,019	\$ 4,410	\$ 609	13.8%	
California State University	\$ 3,781	\$ 3,746	\$ 35	0.9%	

¹ Average does not include CSU

2006/07 CSU Comparison Institution				
Academic year Nonresident Undergraduate, Student Fee Levels				
	2006/07	2005/06	2006/07 Increase	
University of Connecticut (Storrs, CT)	\$ 21,562	\$ 20,416	\$ 1,146	5.6%
George Mason University (Fairfax, VA)	\$ 18,552	\$ 17,160	\$ 1,392	8.1%
Rutgers University (Newark, NJ)	\$ 18,313	\$ 16,820	\$ 1,493	8.9%
University of Maryland, Baltimore County	\$ 17,354	\$ 16,596	\$ 758	4.6%
University of Colorado at Denver	\$ 16,930	\$ 16,274	\$ 656	4.0%
North Carolina State University	\$ 16,841	\$ 16,516	\$ 325	2.0%
Georgia State University at Atlanta	\$ 16,496	\$ 15,378	\$ 1,118	7.3%
University of Wisconsin at Milwaukee	\$ 16,232	\$ 18,976	\$ (2,744)	-14.5%
Comparison Average¹	\$ 16,197	\$ 15,525	\$ 672	4.3%
Arizona State University at Tempe	\$ 15,848	\$ 14,014	\$ 1,834	13.1%
Wayne State University (Detroit, MI)	\$ 15,784	\$ 14,917	\$ 867	5.8%
Illinois State University (Normal, IL)	\$ 14,730	\$ 12,681	\$ 2,049	16.2%
University of Texas at Arlington	\$ 14,650	\$ 15,473	\$ (823)	-5.3%
University of Nevada at Reno	\$ 13,674	\$ 12,527	\$ 1,147	9.2%
California State University	\$ 13,369	\$ 13,334	\$ 35	0.3%
Cleveland State University	\$ 13,127	\$ 12,261	\$ 866	7.1%
State University of New York at Albany	\$ 12,864	\$ 12,864	\$ -	0.0%

¹ Average does not include CSU

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Action Item
Agenda Item 5
November 14-15, 2006
Page 1 of 3

COMMITTEE ON FINANCE

Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for a Parking Project at California State University, San Bernardino

Presentation By

Dennis Hordyk
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 \$29,035,000 to provide funds for the project. The Board is being asked to approve resolutions relating to the project. 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 project is as follows:

San Bernardino Parking Structures I and II and Access Roadway System Project

This project is comprised of two of the three parking projects (parking structures I and II, parking services building and access roadway system), which the Board of Trustees approved in July 2004 as part of the campus master plan revision. At the November 8, 2005 Board of Trustees meeting, the schematic plans for the parking structures I and II project were approved. Parking structure I will be constructed in the northwest quadrant of the campus, east of Parking Lot L and the proposed access roadway. Parking structure II will be constructed northwest of the Coussoulis Arena and south of the perimeter road. The two structures are 1,555 feet apart, were designed to be three-levels with four bays and will provide a total of 1,488 new spaces. The access roadway system will provide access to the proposed parking structures I and II and the College of Education. In addition, it will feature two traffic lanes in each direction, landscaped parkways, concrete sidewalk, path for bicycles and joggers, drainage ditch with erosion control and fire hydrants. The campus is finishing the drawings to the parking services building and expects to come to the Board for financing approval in Spring 2007.

The total project cost is \$31,203,000, to which the campus will contribute \$4,000,000. The not-to-exceed par value of the proposed bonds is \$29,035,000, which includes \$1,832,000 in

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capitalized interest and financing costs. The project delivery method is Design-Bid-Build. The campus received construction bids in September 2006 for the parking structures and access roadway system. The project is scheduled to begin construction in December 2006 and be completed in March 2008.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$29,035,000
Amortization	Approximately level over 25 years
Pro-forma maximum annual expected debt service	\$2,028,554
Projected debt service coverage including the new project: ¹	
Net revenue – All San Bernardino pledged revenue programs:	1.17
Net revenue – Projected for the campus Parking program:	1.31

1. Projected information – Combines the 2005-06 unaudited information for the campus-pledged revenue programs and the first year of operation of the new project with expected full debt service.

The not-to-exceed amount for the project totals \$29,035,000. The maximum annual debt service, and the ratios above are based on the construction project bid amount, campus contribution, expected debt service and capitalized interest at the current interest rate plus 50 basis points (computed average coupon of 4.97%, as of October 16, 2006), 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 our CSU program standard. The campus has submitted a financial plan that has a 1.31 program net revenue debt service coverage that meets the CSU benchmark of 1.10.

The campus combined net revenue debt service coverage from all pledged revenue programs for the campus is 1.17 which is below our 1.35 times debt service campus benchmark. This ratio, which is based on fiscal year 2005-06 un-audited results, reflects some difficulties the campus had experienced that year in housing operations in connection with a new housing facility. However, the campus housing program has improved its occupancy rate to 97 percent for Fall 2006, which will result in a greatly improved overall ratio for fiscal year 2006-07. Thus, even though the campus combined net revenue debt service coverage ratio is below the system benchmark (based on 2005-06 data), it is anticipated that the coverage ratio will be improved in 2006-07 and it is recommended that the Trustees approve the parking project as it helps the campus meet its parking demand.

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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 project 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 \$29,035,000 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 Senior 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 project as described in Agenda Item 5 of the Finance Committee of the November 14-15, 2006 meeting of the CSU Board of Trustees is recommended for:

San Bernardino Parking Structures I and II and Access Roadway System

COMMITTEE ON FINANCE

Public/Private Partnership Office Building Project at California State University, Bakersfield

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Financial Services

Horace Mitchell
President
California State University, Bakersfield

Summary

The campus is seeking conceptual approval of a public/private partnership with Greg Bynum and Associates, Inc. (Bynum) to construct a four to six-story office building on the Bakersfield campus. The campus would enter into a long-term, market rate ground lease with Bynum, and the constructed building would provide market rate office space for various commercial, public, or non-profit tenants, each of which must have plans for significant collaborations with one or more university schools or departments. In addition, it would provide below-market office space to campus tenants.

Background

California State University, Bakersfield (CSUB) was chartered in 1965 and opened in 1970. CSUB is a comprehensive regional university that serves the southern San Joaquin Valley through its four schools (Business and Public Administration, Education, Natural Sciences and Mathematics, and Humanities and Social Sciences) and other academic and administrative units. CSU Bakersfield is a comprehensive public university committed to offering excellent undergraduate and graduate programs that advance the intellectual and personal development of its students. An emphasis on student learning is enhanced by a commitment to scholarship, diversity, service, global awareness and life-long learning. The University collaborates with partners in the community to increase the region's overall educational level, enhance its quality of life, and support its economic development. The vision of the University is that by 2014-15, CSU Bakersfield will be the leading campus in the CSU system in terms of faculty and academic excellence and diversity, quality of the student experience, and community engagement. Realization of our vision will be advanced by recruitment, development and promotion of excellent and diverse staff within an organizational culture committed to excellence in all areas.

The University is in the process of finalizing an update of its master plan which describes the proposed general physical layout of the 376 acre campus in anticipation of increasing its master plan enrollment from 12,000 students to 18,000 students. The plan outlines the location of new academic buildings, residence halls, student services, athletic facilities, roadways and parking lots. A portion of the southern boundary of the campus is planned for development of public-private and public-public partnerships that would advance and enhance the educational mission of the university while also providing resources and services to the local community.

The proposed changes for the master plan have undergone extensive review and consultation with the campus community, including the Academic Senate and the campus Master Plan Review Committee. In addition, the plan has been reviewed by the university's primary landowners bordering the campus, CSUB Foundation Board members, and City of Bakersfield Council members representing districts bordering the campus property. The university is currently undergoing the CEQA review process; the estimated date for submission of a completed Master Plan to the Board of Trustees is May 2007.

On February 3, 2006, California State University, Bakersfield advertised and issued a Request for Proposal (RFP) to private developers to work cooperatively with the university in a long-term public/private or public/public partnership to develop all or part of the 36 acres of vacant land along the southern end of campus property. The university received six responses to the RFP; and selected three proposals for further review and consideration. The project under consideration in this item is a 100,000 to 130,000 square foot for-profit office building.

Project Description

The project proposed by Greg Bynum and Associates, Inc. is a four to six story Class "A" office building of 100,000 to 130,000 square feet on 6 ½ to 8 ½ acres of land. The campus's long-term ground lease with the developer would be at market rate. The campus will work with General Counsel and Financing and Treasury to determine the most effective way to structure the ground lease on behalf of the CSU Board of Trustees. The building would be leased primarily to office tenants with the potential to provide collaborations with faculty and students in the one or more university schools or departments. The building will also provide potential opportunities for collaborations with other university schools and programs, including the School of Natural Sciences and Mathematics and the Nursing program. Below market rate space will be made available for university uses. In addition, the ground floor of the building would provide opportunities for a limited number of retail uses to serve the university and the campus community (i.e., copy center, limited food/restaurant, and financial services/banking).

Financing

The total cost for design and construction of the project is estimated to be \$25 million to \$32 million, which is to be borne entirely by the developer. No financial resources would be required of the campus for construction, operation and maintenance, or off site mitigation. Total project financing has been secured.

Educational Benefits

The campus' current estimate of income from the long-term ground lease is \$300,000 to \$390,000 per year. Additionally, the campus would expect to receive an upfront, one-time payment from the developer of \$200,000 to \$250,000 for its role in coordinating and overseeing construction of the project. Dependent upon the final business terms agreed to, the campus could also receive additional income related to naming rights. The income would be placed in a trust fund that would be used to enrich the existing educational programs as well as support the development of new ones. Other benefits include expanding our instructional technology-support services, offering highly critical programs to the region (e.g. Nursing), collaborating with K-12 partners to improve the region's college-going rate, supporting faculty/student research projects, and expanding the campus' outreach to underserved populations. This is especially critical in light of the educational profile of the Central Valley.

Other educational benefits stemming from the project would include the availability of a state-of-the-art conference center with integrated communication technologies designed to provide interactive web-based workshops and conferences. The campus has a severe shortage of adequate conference space and access to this space would enable the campus to provide a number of programs and seminars that would be beneficial to our students, faculty and community that would otherwise not be possible. Also, the common areas of the building could be used in cooperation with the Art Department in the School of Humanities and Social Sciences as exhibit space. Internships for university students would also be structured with the building tenants.

The campus also believes this building will foster a closer working relationship with the local community, by providing multiple opportunities for interaction and connections with the faculty, staff, and students at CSU Bakersfield.

Once the negotiations are finished and agreements are reached the development plan, a master plan amendment, schematic plans and any applicable CEQA documents will be presented to the Board for approval

Finance
Agenda Item 6
November 14-15, 2006
Page 4 of 4

The following resolution is recommended for approval;

RESOLVED, By the Board of Trustees of the California State University that the Trustees provide conceptual approval for the development of the Office Building at California State University, Bakersfield, as described in Agenda Item 6 of the Committee on Finance at the November 14-15, 2006 meeting.

COMMITTEE ON FINANCE

Revenue Management Program

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Financial Services

Background

The Governor's Budget, submitted to the legislature in January 2006, included a proposal to give the CSU authority to deposit student fees into the University's locally-held trust fund rather than into the State General Fund. This authorization became law in July and the University launched an initiative to make this change.

This effort evolved from a proposal focused solely on student fee revenues into a comprehensive overhaul of the University's financial management systems and procedures for all university revenue and financial operations, significantly streamlining the accounting and financial reporting processes. The primary change is to shift all financial operations from the State General Fund to the State University Trust Fund, thereby shifting financial processing from the State Controller to the campus' chief financial officers. This change includes the creation and implementation of a central banking function. A presentation will be made to the Board describing this initiative.