

AGENDA

COMMITTEE ON FINANCE

Meeting: 9:15 a.m., Wednesday, May 16, 2007
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 March 14, 2007

Discussion Items

1. Report on the 2007-2008 California State University Support Budget, *Information*
2. Public/Private Partnership for a Bakersfield Adventures for the Mind: Children's Museum at California State University, Bakersfield – Conceptual Approval, *Action*
3. Public/Private Partnership for a Charter High School at California State University, Stanislaus – Conceptual Approval, *Action*
4. 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 – Final Approval, *Action*
5. 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 – Final Approval, *Action*
6. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Various Projects, *Action*
7. Approval for California State University, Channel Islands (CSUCI) Financing Authority Item for Faculty/Staff Housing Refinancing – New Resolution, *Action*
8. Approval of Substitution of Loan Guarantor for Construction Loan for the Palm Desert Health Sciences Building, *Action*
9. Approval of Standby Letter of Credit for the Cal Poly Pomona Foundation, *Action*
10. Approval of a Loan to Acquire the CalSTRS Property by the Sacramento Campus Auxiliary, University Enterprises, Inc., *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**

March 14, 2007

Members Present

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

The minutes of January 24, 2007, were approved.

Report on the 2007-2008 California State University Support Budget

Trustee Hauck asked Mr. Patrick J. Lenz, assistant vice chancellor, budget, to present the budget report.

Utilizing a PowerPoint presentation, Mr. Lenz provided an update regarding the status of the budget, and a recap of the state's fiscal condition. An accompanying handout of the presentation was distributed to the committee.

Various points in the report included:

The Governor's January budget totals approximately \$131 billion consisting of \$103.1 billion of State General Fund, Special Fund money of \$27.8 billion, and a Budget Reserve of \$2.1 billion.

The Legislative Analyst's Office (LAO) overall analysis of the state budget concluded that state expenditures would exceed revenues by \$2.6 billion, which offset by the state's budget reserve, will leave the state with an operating deficit of \$726 million.

The Analyst also indicated concern regarding revenue assumptions including \$3.4 billion in budget actions that may be difficult to achieve. She identified \$1.2 billion less in revenue and

greater expenditures than anticipated in the budget, and \$1 billion not included from two court cases on appeal. Moreover, it is likely other fiscal issues may supersede most budget augmentation requests.

The bottom line is if the state is compelled to address these issues and additional General Fund resources are not forthcoming because of the May Revise, the CSU will have to compete with other state budget priorities.

CSU's budget breakdown consists of: Total funds of \$4.4 billion; Base Budget Support (4%) \$109.0 million; Enrollment Growth (2.5%) \$65.5 million; Fee Revenue (10%) \$123 million; Math and Science Teachers Augmentation \$2.0 million; and Outreach Programs reduction (-\$7.0 million) for a total proposed increase of \$292.5 million.

Mr. Lenz' presentation also provided details on the Legislative Analyst's Office (LAO) assumptions and recommendations on the 2007-2008 CSU budget. He pointed out there are some resounding themes throughout the LAO's recommendations that include the slowdown in California's economy, sharp revenue drops in 2006-2007, the need for budgetary savings, enhanced resources, and the need to avoid ongoing budgetary commitments.

Mr. Lenz reminded the committee that CSU falls within the discretionary end of the budget leaving us constantly vulnerable to other competing funding priorities making the likelihood of any augmentation to the CSU budget above the Compact, a remote possibility.

Trustee Guzman asked what is being done to forecast what we do in the future to improve CSU's budget funding. Mr. Lenz replied we have the Compact with the Administration that acts as a base for funding that comes to CSU. He added the Compact does not recognize other priorities we attempt to have addressed in any given budget year, but it is a safety net at this point in time, at least for the next three years. Mr. Lenz observed the overall concern at this point revolves around the amount of General Fund that is going to be available for the discretionary part of the budget.

Mr. Richard P. West, executive vice chancellor and chief financial officer, added that there is a squeeze on state revenue flexibility and any new revenue that may be identified would most likely be considered for other priorities due to CSU's discretionary status in the funding process.

Mr. Lenz concluded his report. Trustees Hauck indicated it was still somewhat early and that further changes will likely occur. Trustee Galinson thanked Mr. Lenz for the informative report.

State University Fee Increase

Trustee Hauck stated the item requested approval of an increase in the State University Fee for the 2007-2008 Fiscal Year, and noted a revised agenda item had been distributed to the trustees before the meeting. He explained that a modification in the resolved clause seeks to clarify the full range of alternatives that may be taken based upon action in Sacramento.

Trustee Hauck asked Mr. Lenz to proceed with the item.

Mr. Lenz was joined by Mr. Allison Jones, assistant vice chancellor, student academic support, to present the item.

Utilizing a PowerPoint presentation, Mr. Lenz reviewed the history of CSU's fee policy and structure; and Mr. Jones covered the history, status, and eligibility requirements of student financial aid and grant programs available to CSU students.

The 2007-2008 State University Fee breakdown (that includes the proposed 10% fee increase) consists of an undergraduate fee of \$2,772, credential fee of \$3,216, and graduate fee of \$3,414. Mr. Lenz pointed out that despite the proposed fee increase, CSU remains the most affordable of its comparison institutions.

Mr. Lenz answered questions from the trustees and clarified certain points contained in the slide presentation. Dr. Charles B. Reed, chancellor, stressed the importance of providing sufficient notification to students of pending fee increases.

Trustee Chandler expressed concern about the proposed decrease in outreach funding in the Governor's budget and how that will affect the ability of needy students to find the assistance they need to apply for financial aid, grants and scholarships. Mr. Jones replied he was hopeful those funds would ultimately be restored, and said despite the lack of funding, he was encouraged by the significant increase in applications from underrepresented students.

Trustee Guzman said the resolution should be amended to clarify the Chancellor's authority in the event of a fee buyout. Trustee Guzman then reminded the committee about her earlier request asking for a comprehensive profile of CSU students and urged the committee to consider an outside study on this issue. Mr. Jones replied that his office was in the process of preparing a financial aid management report that will be available shortly, which will provide extensive detail on the CSU student population at all levels in terms of age, race, ethnicity, etc.

Trustee LaFlamme observed it was likely that students and university leaders in general, were opposed to the proposed fee increase, however, as a student trustee, he said he was compelled to support the increase based on the information and research supporting the agenda item.

Student representatives from various campuses and organizations addressed the committee to express their non-support of the proposed fee increase.

Trustee LaFlamme thanked the students for their input and for coming to the meeting. He said he hoped they would also take their message to Sacramento in an effort persuade the legislature and the Governor to take an in-depth look at the reality and consequences of how the university is actually funded. Trustee Hauck also thanked the students for their comments and wanted them to be aware that the Board is not anxious to increase fees, but were in a different position and needed to proceed accordingly.

Fin.

In order to clarify the proposed amendment, Trustee Hauck read aloud, the amended version of the resolution.

The committee recommended approval of the proposed resolution as amended (RFIN 03-07-04).

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

Mr. Dennis Hordyk, assistant vice chancellor, financial services, explained the item requested authorization to issue Systemwide revenue bonds and interim financing under CSU's commercial paper program in an aggregate amount not-to-exceed \$88,145 to provide funds for two projects.

San Francisco Housing Acquisitions of Villas at Park Merced and the Village at Centennial Square

The first request was from San Francisco State University for approval of the real estate acquisition of two properties; the Villas at Park Merced and the Village at Centennial Square. The San Francisco State University Foundation currently owns both properties.

Mr. Hordyk reviewed the project details and financial terms as presented in the printed agenda. He explained these acquisitions from the foundation are being pursued because the campus is seeking to consolidate housing operations to optimize the use of available housing space for the benefit of its students.

Mr. Hordyk mentioned the possibility of a relatively small economic net present value loss on the acquisition. He indicated although the Trustees generally expect to achieve a 3% net present value savings when refinancing existing debt, the campus believes that the operating efficiencies to be gained from these refinancings outweigh the relatively small economic net present value loss. Mr. Hordyk added the campus housing program has committed its resources should a shortfall occur and the programmatic benefits to be achieved by operating these facilities as part of the campus-based housing program make this acquisition and resultant refinancing desirable.

Auxiliary Financing for California State University, Sacramento – University Enterprises Inc. – The Broad Athletic Facility Project – Phase I

This request is from the Sacramento campus to approve financing of Phase I of the Broad Athletic Facility project. Mr. Hordyk explained this project is the first of a four-phased complex that will consist of construction of a new athletic training facility that will replace an existing field house that no longer meets the programmatic and space needs of the university. Mr. Hordyk further explained the financial terms and plans for the project as outlined in the written agenda item.

Trustee Hauck called attention to information in the item referring to the request for approval of long-term bonds and the plan to keep the project in the commercial paper program to amortize

the debt over a 5 – 10 year period. Mr. Hordyk said that board approval would allow the university to maximize flexibility to issue long-term bonds to amortize the debt over 25 years if necessary. However, he noted in the event it is determined to keep the project in commercial paper for longer than three years, it would be necessary to return to the committee for additional approval due to current law requiring bond participation notes not-to-exceed a three year timeframe.

The committee recommended approval of the proposed resolution (RFIN 03-07-05)

Systemwide Revenue Bond Program --- Funds and Investments

Mr. Hordyk presented the item that requested authorization for supplemental provisions to the Systemwide Revenue Bond (SRB) Indenture to better implement the Board's responsibilities under the State University Revenue Bond Act of 1947 in a manner consistent with CSU's new Revenue Management Program.

Mr. Hordyk reviewed the written agenda item providing the background and description of CSU's Systemwide Revenue Bond Indenture as well as outlining key provisions in the CSU Revenue Bond Act.

Mr. Hordyk further clarified what was being requested is approval to make two changes to the Indenture providing further guidance for operating the Systemwide Revenue Bond Program. Mr. Hordyk noted the written item in the agenda contained a detailed description of the proposed changes.

Trustee Hauck said he had reviewed the item in detail, and added the university's bond counsel had approved the proposed action.

Trustee Holdsworth noted the resolution specifically mentions Wells Fargo Bank and said he was concerned that might restrict the university in some way. Mr. Hordyk agreed it would be a good idea to amend the resolution to reflect more flexibility with regard to banking institutions.

The committee recommended approval of the proposed resolution as amended. (RFIN 03-07-06).

Trustee Hauck adjourned the meeting.

COMMITTEE ON FINANCE

Report on the 2007-2008 California State University Support Budget

Presented by

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Patrick J. Lenz
Assistant Vice Chancellor
Budget

Summary

The 2007-08 CSU budget is currently being reviewed by the respective budget subcommittees in the Senate and Assembly. While policymakers are giving each issue in the CSU budget and budget recommendations by the Legislative Analyst Office (LAO) a thorough review, no specific actions are being taken until after the Governor submits his May Revision to the budget. The Board will be provided an update of the state's overall fiscal condition and the prognosis on specific issues that are before the Governor and the legislature pertaining to the 2007-08 budget.

2007-08 CSU Support Budget

At the March meeting, the Board was informed that the Governor remained committed to fully funding the Compact as part of the 2007-08 CSU budget, and providing an additional \$2 million budget augmentation for the University to continue to produce more K-12 math and science teachers. Consistent with the Governor's assumptions in his January budget the Board approved a 10 percent fee increase and recommended setting aside one-third of the fee revenue to fund State University Grant financial aid. The Board also reaffirmed its support to pursue nearly \$70 million in additional budget augmentations for a student services initiative, compensation, research, nursing programs, and increasing K-12 special education teachers.

The Legislative Analyst has raised serious concerns regarding the state's structural deficit and the need to reduce spending and look at additional fiscal resources to address the budget gap. Nearly all the LAO recommendations on the CSU budget call for reducing the base budget from 4 to 2.4 percent, reducing student fees from 10 to 2.4 percent, and reducing enrollment growth funding from 2.5 to 2 percent along with the funding per student in the marginal cost methodology. If the legislature were to accept these recommendations it would result in nearly a \$134 million reduction to the CSU budget of \$292.5 million.

The reductions proposed by the LAO would be particularly devastating to the CSU budget when the system is serving 6,000 more Full Time Equivalent Students than the state is funding in the 2006-07 budget. This represents an additional cost to CSU campuses of \$44 million dollars. In addition, the current collective bargaining agreements have an additional cost of nearly \$41 million in the 2007-08 fiscal year. Unless the legislature is willing to fully support the Compact and begin addressing University enrollment and compensation costs, student access and the quality education delivered at the CSU may be compromised.

Conclusion

As a result of the state's fiscal uncertainty the legislature is delaying any specific action on the CSU budget until after they receive an update of state revenues and expenditures as part of the Governor's May Revision to the budget. The Board will be presented with an update of the state's fiscal condition and issues specific to the 2007-08 CSU budget.

COMMITTEE ON FINANCE

Public/Private Partnership for a Bakersfield Adventures for the Mind: Children's Museum at California State University, Bakersfield – Conceptual Approval

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Horace Mitchell
President
California State University, Bakersfield

Summary

The campus is seeking conceptual approval of a public/private partnership for the creation of a children's museum/learning center on the Bakersfield campus. The campus would propose to enter into a long-term ground lease with Bakersfield Adventures for the Mind (BAM), an independent, non-profit organization with 501(c)(3) status, with guidance from the Kern Community Foundation (KCF) as a fiscal/investment advisor to the BAM board.

Background

The campus is in the process of finalizing an update of its master plan that 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 and athletic facilities and new roadways and parking lots. A portion of the southern boundary of the campus is planned for buildings and other facilities that through development of public-private and public-public partnerships would advance and enhance the educational mission of the university while also providing resources and services to the campus and local community.

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

On February 3, 2006, California State University, Bakersfield issued a Request for Proposals (RFP) to private developers to work cooperatively with the campus 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 campus received six responses to the RFP, and selected three proposals for further review and consideration. The Trustees provided conceptual approval for a four to six story Class "A" office building of 100,00 to 130,000 square feet at the November, 2006 meeting. Additionally, the Trustees provided conceptual approval for a mixed-use development project, to include residential, hotel, restaurant, parking and retail space at its January 2007 meeting. The children's museum proposal is the third project selected for further consideration.

Project Description

Bakersfield Adventures for the Mind: Children's Museum is proposed as a 35,000 square foot, \$15 million state-of-the-art facility for children ages twelve and younger. BAM, an independent, non-profit organization with 501(c)(3) status, is dedicated to fulfilling its mission by investing in strategies to create a premiere children's museum, one of the first in the nation to be located on a college campus. The BAM board is made up of 15 community members, including a number of prominent business people and educators in Kern County. BAM will receive ongoing guidance from the Association of Children's Museums based in Washington, D.C., peer advisory members from other successful children's museums across the country and the Kern Community Foundation (KCF), who will act as a fiscal/investment advisor to the BAM board.

The BAM plan provides a modern educational town square offering learning opportunities with exciting permanent and rotating exhibits, special events, and educational programming and outreach, while aligning closely with campus' vision of excellence and partnership. The project promises a center for collaboration that would celebrate creativity and learning and offer Kern County the foundation for intellectual exchange among its students, parents, professors, and social service organizations. The project would require approximately four acres to accommodate the 35,000 square foot building footprint, parking for 100 vehicles, off-site loading/receiving, bus lanes, outdoor activities and amenities.

Financing

Funding for construction will come from private funds provided by the Kern County philanthropic community managed by the Kern Community Foundation and Partners, private foundations and state and federal grants. Construction would not begin until the necessary resources are in hand. No financial resources would be required of the campus. A below market value payment will be received by CSUB for the ground lease.

Educational Benefits

BAM would attract a diverse cross-section of community members by providing a non-threatening learning environment with a hands-on and interactive approach to learning and exploration, extending from families to CSUB students and faculty. Through connection with BAM, the CSUB classroom opens up to real life experiences, including CSUB professors and students working with families and teachers in designing exhibits and special events centered on particular fields of study (i.e., geology, science, chemistry, nursing, and art). These types of hands-on learning experiences also make CSUB more marketable to potential university students searching out unique opportunities, such as working as interns or docents at a children's museum while attending classes at CSUB. Other lasting relationships would be formed between the campus and educational professionals and parents visiting BAM in conjunction with the Kern County Superintendent of School's Learning Center satellite office, which is slated to be located inside BAM, providing curriculum materials, research, and teaching aids to the public.

In addition, possible partnership opportunities would provide a direct connection to the campus, such as:

- Student teaching coursework and classroom observations, including curriculum and exhibit development in math and science
- Service Learning opportunities for CSUB students
- Internships in planning and operational functions of the museum
- Non-profit business internships
- Outreach to children on health issues through the Department of Nursing
- Research and events in history-based topics through the Department of History
- Child development programs and activities in the Department of Teacher Education
- Numerous other academic partnerships will be formed with various CSUB professors and students during the planning phase

Recommended Action

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 Bakersfield Adventures for the Mind: Children's Museum on the California State University, Bakersfield campus, as described in Agenda Item 2 of the Committee on Finance at the May 15-16, 2007 meeting.

COMMITTEE ON FINANCE

Public/Private Partnership for a Charter High School at California State University, Stanislaus – Conceptual Approval

Presentation by

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Hamid Shirvani
President
California State University, Stanislaus

Summary

California State University, Stanislaus (CSU Stanislaus) is proposing that an Early College Charter High School (Charter School) be constructed on the campus as a partnership between a public charter school entity and the CSU Stanislaus campus. The curricular and program development would include collaboration between the Charter School, the CSU Stanislaus' College of Education, and other colleges on campus that offer early college courses.

Background

Statistics pertaining to the number of Northern California Central Valley high school graduates going on to college are below the state and national norms. Early College High School programs are proving to have a positive impact by improving these numbers. CSU Stanislaus would like to incorporate an Early College Charter High School into the university to aid efforts to increase the college-going rate of regional high school students.

Project Description

The proposed Charter School requires four to five acres for the construction of a school to accommodate approximately 500 students. There are two potential sites within the CSU Stanislaus master plan that would be considered for the Charter School location. One site, known as the Yosemite property, is a stand-alone, 10-acre site located across Geer Road on the eastern border of the campus. This now vacant parcel previously held the original campus student housing. A second site, owned by a CSU-recognized campus auxiliary, is located at the northwest corner of the campus. The site is 4.46 acres. Each site provides easy access to

university facilities. The Charter School and the campus will work together to determine which site will be best for the proposed development.

This partnership targets providing underserved students an education that will lead them directly into college. Students will attend university classes, and university faculty will participate in the Charter School activities. The long-term intent is to develop a residency program for a portion of the high school students.

CSU Stanislaus is requesting conceptual approval from the Board of Trustees for this proposed project. If conceptual approval is received, the campus will enter into negotiations with an appropriate partner, and proceed with the development of a ground lease, an operational agreement, facility plans, and the necessary master plan revision and Environmental Impact Report.

Financing

The Charter School would lease the campus site from the university and would construct the school facilities. The university will have full approval rights regarding the site development. Plans for the school will be submitted to the CSU Board of Trustees for approval prior to the commencement of construction. All capital development and operation financing will be the Charter School's responsibility.

Educational Benefits

Students who demonstrate college-level readiness would be allowed to enroll concurrently in university courses, for which the campus would receive student FTE credit. Additionally, teacher education credential students would be able to satisfy educational requirements through activities at the Charter School.

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of the California State University that the Chancellor or designee be authorized to enter into, on behalf of the Board of Trustees, a ground lease and operational agreement to establish an Early College High School on the CSU Stanislaus campus that will be incorporated into the campus' non-state capital outlay program.

COMMITTEE ON FINANCE

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 – Final Approval

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

James M. Rosser
President
California State University, Los Angeles

Summary

At its September 2006 meeting, the Trustees provided conceptual approval for a ground lease to The Alliance for College-Ready Public Schools to build a 34,000 square foot specialized Math and Science charter high school (MASS) for 500 students on the campus of California State University, Los Angeles (CSULA). The proposed new facility would be available to the campus following MASS's normal school schedule. The Committee on Campus Planning, Buildings and Grounds also is reviewing this project as an amendment to the 2006-2007 Capital Outlay Program, Non-State Funded, as well as the schematic plans, at this May Board of Trustees meeting.

Business Terms of the Ground Lease

The Alliance for College-Ready Public Schools (Alliance) is an independent non-profit charter management organization building a minimum of 20 high performance public grade 9-12 and grade 6-8 schools in Los Angeles. Alliance secured a temporary site near the CSULA campus and opened in the fall of 2006 with 200 grade nine students. Upon the final approval of this public-private partnership by the Trustees, Alliance will form a Special Purpose Entity called Titan LLC. Titan LLC and CSULA will enter into both a ground lease for the permanent building as well as a ground lease for portables, which will allow Titan LLC to establish temporary instructional facilities on a parking lot located at the northeast corner of the campus. The school will open in the fall of 2007 in these temporary facilities, initially serving 325 students in grades 9 and 10, until the permanent facility is constructed. The permanent facility is expected to open in the fall of 2008, at which time another 125 students will be served.

The ground lease for portables contains the following provisions:

- Titan LLC (Lessee) will enter into a sublease with the Marc and Eva Stern Math and Science School (Sublessee) for the operation and administration of a math and science charter school in portable classrooms and offices, beginning in the academic year Fall 2007.
- The term of the portables ground lease will be from June 15, 2007 until January 15, 2009, unless extended or terminated sooner.
- The CSULA and Titan LLC will review before termination of this lease, the possible donation of a number of the portable classrooms and offices to the Trustees.
- Upon termination of the portables ground lease, the Lessee will restore the site to its original condition.

The ground lease and operating agreement contains the following provisions:

- Titan LLC (Lessee) will enter into a sublease with the Marc and Eva Stern Math and Science School (Sublessee) for the operation and administration of a math and science charter school.
- The term of the ground lease will be from June 15, 2007 until June 30, 2048, unless extended or terminated sooner.
- The project, and any additions to the project, will become the property of the Trustees upon termination of the ground lease, free and clear of liens.
- The Lessee will construct the project in substantial accordance with contract documentation approved by the Trustees. All workers on the project will be paid prevailing wage rates, and the Lessee will be responsible for all licenses and permits required by the project.
- Lessee will be required to pay any California Environmental Quality Act (CEQA) mitigation obligations and hold the Trustees harmless from any CEQA mitigation costs.
- An Extraordinary Repair Fund will be established by the Lessee and held by the Trustees, with annual contributions, until reaching a maximum amount of \$1.5 million. If the Trustees choose to demolish the project at the end of the ground lease term, the Extraordinary Repair Fund will be made available for that demolition. Periodic reviews of contributions and fund requirements will be conducted.
- Other than the current Sublessee, the building may not be sublet without prior written consent of the Trustees, and only for the purposes of operating a math and science charter school, with a professional development program.
- There will be a dedicated space for a CSULA Professional Development Center.
- The Lessee is responsible for providing all insurance coverage, including comprehensive or commercial form general liability insurance, employer liability, business automotive liability, and workers' compensation during the construction period and upon occupying the building. Additionally, Lessee will provide Builder's Risk Insurance during the construction period and permanent property insurance upon occupancy.

- The Lessee may mortgage and pledge its ground lease for up to 25 years, and can be used for no other purpose except a math and science charter school.
- The Lessee has committed to provide payment to CSULA for facilities, supplies, equipment, and services, to include network services, necessary utilities and custodial services, student and faculty identification cards, library services, student and faculty health services, security services, faculty, student, guest and visitor parking, support personnel, and reprographic and mail services, college credit program services, all to be reimbursed to CSULA at appropriate rates. Instructional space for College Credit Program (CCP) courses will be provided by CSULA at no charge to the Lessee.
- Students enrolled in CCP courses will be considered CSULA students and subject to CSU policies and procedures, including student discipline. The Lessee will pay CSULA all state university and other mandatory fees for each student enrolled in CCP courses.
- No payment will be received by CSULA from Lessee for the ground lease.

Recommended Action

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of the California State University that the Chancellor or designee be authorized to enter into on behalf of the Board of Trustees agreements for a ground lease and a portables ground lease with the Titan LLC for College-Ready Public School for the purpose of establishing a specialized Math and Science charter high school on the Los Angeles campus.

COMMITTEE ON FINANCE

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 – Final Approval

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

James M. Rosser
President
California State University, Los Angeles

Summary

At its September 2006 meeting, the Trustees provided conceptual approval for a ground lease to the Los Angeles County Office of Education (LACOE or the Lessee) to build a 43,700 square foot facility on the CSU Los Angeles (CSULA) campus to accommodate the Los Angeles County High School for the Arts (LACHSA). LACHSA is a specialized high school that has been located on the CSULA campus since 1986. The school has leased space from the campus to run its programs, and recently renewed its lease agreement for 10 years, with an option to renew for another 10 years. The proposed new facility would be available to the campus following LACHSA's normal school schedule. The Committee on Campus Planning, Buildings and Grounds also is reviewing this project as an amendment to the 2006-2007 Capital Outlay Program, Non-State Funded, as well as the schematic plans, at this May Board of Trustees meeting.

Business Terms of the Ground Lease

In April 2006, LACOE received approval for planning and design funding for the construction of a high school with 580 pupils assigned. At this time, CSULA proposes to enter into a 40-year ground lease with LACOE, with construction to be completed by July 2010. The space that is currently leased to LACOE will be released upon completion of the LACHSA facility and return to campus use as classroom space.

The ground lease and operating agreement contains the following provisions:

- The 40-year term of the lease will commence from the date of the recorded Notice of Completion of the building. If funding received by the Lessee from the State Allocation

Board is insufficient to construct the building in the opinion of the Lessee, then Lessee will provide written notice to CSULA and the lease may be terminated. The ground lease may be renewed by mutual written agreement prior to the expiration of the lease.

- The project will become the property of the CSU upon termination of the ground lease.
- The Lessee will construct the project in substantial accordance with contract documentation approved by the Trustees. All workers on the project will be paid prevailing wage rates, and the Lessee will be responsible for all licenses and permits required by the project.
- An Extraordinary Repair Fund will be established by the Lessee, with annual contributions, until reaching a maximum amount of \$1.7 million. If the Trustees choose to demolish the project upon full repayment of the financing bonds at the end of the ground lease, the Extraordinary Repair Fund will be made available for that demolition.
- The building may not be sublet by the Lessee without prior written consent of the Trustees.
- The Lessee is responsible for providing all insurance coverage, including comprehensive or commercial form general liability insurance, employer liability, business automotive liability, and workers' compensation during the construction period and upon occupying the building. Additionally, Lessee will provide Builder's Risk Insurance during the construction period and permanent property insurance upon occupancy.
- LACOE has committed to provide payment to CSULA for facilities, supplies, equipment, and services, to include network services, necessary utilities, student and faculty identification cards, library services, student and faculty health services, security services, faculty, student, guest and visitor parking, support personnel, and reprographic and mail services, all to be reimbursed to CSULA at appropriate rates.
- No payment will be received by CSULA from Lessee for the ground lease.

Recommended Action

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of the California State University that the Chancellor or designee be authorized to enter into on behalf of the Board of Trustees a ground lease and operational agreement with the Los Angeles County Office of Education for the purpose of constructing a facility to accommodate the Los Angeles County High School for the Arts on the CSU Los Angeles campus.

COMMITTEE ON FINANCE

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

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

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 \$139,445,000 to provide funds for three projects. The Board is being asked to approve 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. Bakersfield Recreation Center

In September 2005, the Board of Trustees approved the amendment of its non-state capital outlay program and in May 2006 the Board approved the schematics of the project during its Committee on Campus Planning, Buildings and Grounds. The recreation center project consists of approximately 75,411 gross square feet located south of the existing student center on the eastern side of the campus. The project will provide a recreation facility for students and the campus community, which will include a fitness center, a three-court gymnasium complex with running track, student recreation offices, and multipurpose flex spaces. The building has been designed around a fitness area, a gymnasium, and a central open space that has clerestory windows for increased daylight into the interior of the building. The central open space connects the two larger gymnasium spaces and the fitness center. In May 2005, the campus had a successful referendum whereby the student body approved an increase in its student body center fees to support the construction and operations of this facility.

The not-to-exceed par value of the proposed bonds is \$24,015,000 and is based on an estimated project cost of \$22,700,000. The project delivery method is construction manager at risk. At the

time this agenda item was written, the campus was working with the contractor in evaluating the subcontractor bids that were received in April 2007. The project is scheduled to begin construction in June 2007 and be completed in October 2008.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$24,015,000
Amortization	Approximately level over 30 years
Pro-forma maximum annual debt service	\$1,559,006
Projected debt service coverage including the new project: ¹	
Net revenue – All Bakersfield pledged revenue programs:	1.88
Net revenue – Projected for the campus student union program:	1.25

1. Projected information – Combines 2005/06 information for the campus-pledged revenue programs and 2009/10 operations of the project with expected full debt service.

The not-to-exceed amount for the project totaling \$24,015,000, 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 5.08%, as of April 18, 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 1.25 times projected program net revenue debt service coverage, which meets 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 1.88, which meets our 1.35 times debt service coverage campus benchmark.

2. Sacramento Student Housing, Phase I

In January 2007, the Board of Trustees approved the amendment of the Non-State Capital Outlay Program for the Sacramento Student Housing, Phase I project and is currently being requested to approve the schematics for the project in its Committee on Campus Planning, Buildings and Grounds. The project consists of a 600-bed, four story wood-frame structure of approximately 209,000 gross square feet. It will be located within the student housing quadrant, on the existing site of Foley Hall (building #18), which will be demolished prior to the new construction. Foley Hall was previously converted to office space for the university and its affiliated programs in 1995. The new facility will include support space, administrative offices, study lounges, meeting

space, and limited retail (coffee/market) spaces. This phase will increase the campus bed capacity from 1,105 to 1,705 beds and is the first phase of a multiyear solution to address student housing deficiencies. Subsequent phases will be brought to the Board at a future time for consideration. The phase I project received a favorable recommendation from the Housing Proposal Review Committee in December 2006.

The not-to-exceed par value of the proposed bonds is \$51,455,000 and is based on a project cost of \$55,000,000, with a housing reserve contribution of approximately \$7,607,662. Additional financing costs are to be funded from the bond proceeds. The campus received responses to the design-build RFP in March 2007 with cost proposals in April 2007. The campus would like to award the contract to the design-build team in June 2007. The contractor's team will commence design of the facilities in June 2007 and is scheduled to commence construction in November 2007 with completion in July 2009.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$51,455,000
Amortization	Approximately level over 30 years
Pro-forma maximum annual debt service	\$3,341,009
Projected debt service coverage including the new project: ¹	
Net revenue – All Sacramento pledged revenue programs:	1.62
Net revenue – Projected for the campus housing program:	1.57

1. Projected information – Combines 2005/06 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 \$51,455,000, 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 5.08%, as of April 18, 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 1.57 times projected program net revenue debt service coverage, which meets 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 1.62 times which exceeds our 1.35 times debt service campus benchmark.

3. Sonoma Tuscany Village Student Housing

In May 2003, the Board of Trustees approved the amendment of the Non-State Capital Outlay Program for the Sonoma Tuscany Village Student Housing project (previously known as the Beaujolais Village Phase II project). The project’s schematics are currently being requested for approval at the Committee on Campus Planning, Buildings and Grounds meeting. The project was delayed due to CSU enrollment decreases experienced by the campus as a consequence of State budget cut backs. The campus is now in a position to proceed with the project. The Tuscany Village project consists of 16 two-story townhouse-style buildings (approximately 202,611 gross square feet), one 800 gross square foot community building, and a 2,400 gross square foot multipurpose building. Additionally, the 12-acre site will also include 202 new parking spaces, supplemented by the existing student parking lot F, adjacent to the west side of the project. There will be 114 four-bedroom units in two-story buildings and 14 single occupancy studios in one-story units. A total of 698 student beds will be constructed along with a two-bedroom apartment for live-in professional staff. The project received a favorable recommendation from the Housing Proposal Review Committee in November 2006.

The not-to-exceed par value of the proposed bonds is \$63,975,000 and is based on a project cost of \$58,892,000. The project delivery method is design-build. The campus received responses to the design-build RFP and cost proposals in March 2007. The campus would like to award the contract to the design-build team in June 2007. The contractor’s team will commence design of the facilities in June 2007 and is scheduled to commence construction in May 2008 with completion in July 2009.

The following table provides information about this financing transaction.

Not-to-exceed amount	\$63,975,000
Amortization	Approximately level over 30 years
Pro-forma maximum annual debt service	\$4,156,695
Projected debt service coverage including the new project: ¹	
Net revenue – All Sonoma pledged revenue programs:	1.39
Net revenue – Projected for the campus housing program:	1.33

1. Projected information – Combines 2005/06 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 \$63,975,000, 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 5.08%, as of April 18, 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 1.33 times projected program net revenue debt service coverage, which meets 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 1.39 times which meets our 1.35 times debt service campus benchmark.

Trustee Resolutions and Recommended Action

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing a set of resolutions to be presented for the projects described in Item 6 of the Finance Committee of the May 15-16, 2007 meeting of the CSU Board of Trustees 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 \$139,445,000 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 projects as described in Item 6 of the Finance Committee of the May 15-16, 2007 meeting of the CSU Board of Trustees is recommended for:

Bakersfield Recreation Center Project

Sacramento Student Housing, Phase I

Sonoma Tuscan Village Student Housing

COMMITTEE ON FINANCE

Approval for California State University, Channel Islands (CSUCI) Financing Authority Item for Faculty/Staff Housing Refinancing – New Resolution

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Background

At its January 2007 meeting, the Trustees of the California State University approved the issuance of Systemwide Revenue Bonds in a not-to-exceed amount of \$202,975,000 for the purpose of refinancing \$195,525,000 in CSUCI Financing Authority debt. As noted in the agenda item that recommended the refinancing, the expectation was that one of the CSUCI Financing Authority debt issuances (specifically, the \$44,500,000 series issued in August 2004 for the financing of for-sale housing) would be refinanced under the CSU's commercial paper program rather than through the issuance of Systemwide Revenue Bonds. However, the resolution approved by the Trustees did not include authorization for the issuance and sale of Bond Anticipation Notes (BANs), which is required in order to issue commercial paper.

This item recommends approval of a resolution that includes the authorization for the issuance and sale of BANs to support the issuance of commercial paper for the purpose of refinancing CSUCI Financing Authority debt, as was originally intended in the January 2007 Trustees meeting.

Trustee Resolutions and Recommended Action

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing a resolution to be presented at this meeting to achieve the following:

1. Authorize the sale and issuance of Systemwide Revenue Bond Anticipation Notes in an amount not-to-exceed \$44,500,000 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.

COMMITTEE ON FINANCE

Approval of Substitution of Loan Guarantor for Construction Loan for the Palm Desert Health Sciences Building

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Albert Karnig
President
CSU San Bernardino

Background

At the January 23-24, 2007 meeting, the Board of Trustees approved auxiliary financing of an amount not to exceed \$3.5 million for interim construction financing for the Palm Desert Health Sciences Building. It was indicated in the agenda item that "...the Berger Foundation has agreed to forgive any portion of the loaned funds if donations are not received by the campus in a timely manner to allow for loan repayment."

Although the Berger Foundation will still be making the interim construction financing loan, it has reconsidered its position on the loan guarantee. The campus has identified an individual, Mr. Michael Marix, who has signed an agreement to guarantee the loaned funds up to \$3.5 million.

At this time, the Board is being asked to approve the substitution of Mr. Michael Marix as the loan guarantor for the subject loan.

Trustee Resolution and Recommended Action:

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that Mr. Michael Marix be accepted as the loan guarantor for the construction loan not to exceed \$3.5 million for the purpose described in Agenda Item 4 of the Committee on Finance at its January 23-24, 2007 meeting, and confirm that the Chancellor or his designees are authorized to take any and all actions on behalf of the Board of Trustees and to execute any documents that are in their judgment necessary to assist the auxiliary to complete the financing described herein.

COMMITTEE ON FINANCE

Approval of Standby Letter of Credit for the Cal Poly Pomona Foundation

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Summary

The Cal Poly Pomona Foundation, a recognized auxiliary organization in good standing, is seeking approval to secure an irrevocable standby Letter of Credit for \$7,000,000, for a term of up to 18 months, from a commercial lender. The letter of credit is needed to support a development agreement that the Foundation has entered into with the Olson Company to provide thirty-four faculty/staff homebuyers in a timely manner. The standby letter of credit guarantees to the Olson Company the Foundation's financial performance under the development agreement. The Olson Company and the Foundation do not anticipate that the standby letter of credit will be drawn upon.

The Olson Company will construct 34 units of for-sale housing for Cal Poly Pomona faculty and staff members. At the time of each faculty/staff member sale, the Foundation will purchase the land underlying each unit from the Olson Company with Foundation funds, for a total land purchase of \$3,200,000. The standby letter of credit will not create any legal or direct obligation of the State of California or the Trustees and will be unsecured and subordinated to the Foundation's currently outstanding debt. Only the Olson Company may exercise the standby letter of credit, and only in the event the Foundation defaults on the development agreement.

Project Description

The Foundation has identified a potential source of housing that could provide substantial relief to campus needs for locally affordable housing. A recently-completed assessment study performed by the Valeo Companies identified an immediate campus need for 80 town homes as the initial step towards fulfilling the need for faculty/staff housing of 840 homes over the next ten years.

The Olson Company's proposed project is a 2.4 acre site located at the intersection of Foothill Boulevard and Equation Road in the northeast part of Pomona within the Claremont Unified School District. The site and plans have been approved by the City of Pomona for 34 town homes.

For the past two decades, the Olson Company has been building high-quality homes in Southern California. Olson recently completed a townhomes project in Claremont near the railroad at Indian Hill and currently has new townhomes projects being built in Claremont, Covina, Fullerton, Buena Park, and several other southern California locations.

The Olson Company has conducted its due diligence studies for the site including geological soils studies, environmental assessment studies, sound studies, civil engineering and planning studies, and is now in final plan-check to obtain building permits for the project. The project is scheduled to start construction within 60 days, with new home deliveries ready for move-in by Spring 2008.

At its meeting of February 22, 2007, the Foundation's Board approved investing \$3.2 million in the land, to prevent the ultimate home prices from escalating further, and entering into a development agreement with the Olson Company to provide development-construction-sales management services to build and sell the new townhomes to faculty/staff employees. Project construction and marketing costs would be recovered from sales proceeds as the homes are sold.

Home prices will be from \$361,000 to \$391,000. The units will be sold as affordable housing; Olson will not be entitled to generate any additional profits or proceeds beyond these base prices. It is anticipated that sales prices for these homes will be significantly less than current local market rates, considering that in December 2006, the Los Angeles County median home price was \$522,000. The proposed project has two models, both with three bedrooms, two bathrooms and 2-car attached garages have been designed for this project: 24 units at 1,590 square feet, and 10 units at 1,785 square feet.

The Foundation will enter into a long-term ground lease with the homebuyer, allowing the Foundation to enforce eligibility criteria, control the resale of the homes, and maintain the affordability of the units. As a condition of the ground lease, the Foundation expects to collect monthly payments from the homeowners, to be used to recover the \$3,200,000 investment in land. The ground lease will contain provisions designed to ensure that the project retains its campus-related purpose, is governed and maintained in a quality manner, and remains at a relatively constant level of affordability upon resale. Homeowners will be required to notify the Foundation whenever they elect to sell their homes, the Foundation will have an option to purchase the homes, and it will maintain a prioritized list of potential home buyers and oversee the resale process.

Auxiliary Organization Financing

The Foundation Board of Directors has approved the project, including the purchase of land for \$3,200,000, and authorized the issuance of an irrevocable standby letter of credit for \$7,000,000 at its meeting of April 27, 2007.

Estimated costs for the project are as follows:

Land	\$ 3,200,000	Purchased from the Olson Company by Foundation
Development	\$12,200,000	Olson Co. development and construction costs

Terms of the Standby Letter of Credit:

Letter of Credit:	\$7,000,000
Term:	18 months
Estimated Rate:	Prime Rate or 2.5% above LIBOR rate
Estimated Cost of Letter of Credit over its term:	\$87,500

Trustee Resolution and Recommended Action

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that the Trustees approve the request by the Cal Poly Pomona Foundation to obtain a Letter of Credit in an amount of \$7,000,000 to be provided to the Olson Company in support of the proposed faculty/staff housing project; and confirm that the Chancellor or his designees are authorized to take any and all actions on behalf of the Board of Trustees and to execute any documents that in their judgment are necessary to assist the auxiliary to complete the financing described herein.

COMMITTEE ON FINANCE

Approval of a Loan to Acquire the CalSTRS Property by the Sacramento Campus Auxiliary, University Enterprises, Inc.

Presentation By

Richard P. West
Executive Vice Chancellor and
Chief Financial Officer

Summary

University Enterprises, Inc. (UEI), a recognized auxiliary organization in good standing, is seeking approval to secure a loan for up to \$37,000,000, for a term of up to 36 months. The loan will be used to purchase the California State Teachers' Retirement System (CalSTRS) property at 7667 Folsom Blvd, Sacramento and to pay any closing costs and due diligence evaluations. UEI would acquire the property, and within 36 months refinance the property with long-term debt, either through the issuance of Systemwide Revenue Bonds or the issuance of its own auxiliary revenue bonds. The building would be rented back for the first two years by CalSTRS, which is currently constructing a new headquarters building in West Sacramento. Thereafter the building would be used for the auxiliary's own programs, leased to Sacramento campus departments, or leased to external third party tenants.

Project Description

The CalSTRS property, known as University Office Park, is an 188,100 rentable square foot, three-story office building, located at 7667 Folsom Boulevard in Sacramento. It sits on 7.7 acres within close proximity of the southeastern border of the Sacramento campus. The property includes 752 parking spaces.

The acquisition of this property furthers the goals of the campus by expanding the effective campus footprint by the additional 7.7 acres, adding significant office space, and supplementing its current parking inventory. With appropriate renovation, the building could function as a multi-use facility, with classrooms and administrative offices, housing both state and non-state funded programs such as Nursing, Continuing Education, and other campus programs and centers. A regular shuttle service could provide easy transportation between the building and the main campus for students, faculty, and staff for class changes, events, parking, etc.

The purchase of the CalSTRS property offers a cost benefit over site acquisition and construction of comparable facilities. To purchase a site adjacent to the campus with comparable size and parking would cost approximately \$77, 000,000, under the following assumptions:

- Land purchased at \$30/square foot
- Building construction at \$300/sq. ft.
- Parking construction (\$3,000/lot space and \$13,000/structure space)
- Equipment and furnishings

Using this comparison, to purchase the existing property for approximately \$37 million for the property and \$14 million for renovation and equipment, the total cost to the campus would be \$51 million, plus financing cost of approximately \$6,000,000 results in a net savings of approximately \$20 million.

At its meeting of April 25, 2007, the UEI Board approved the acquisition of the building and authorized securing a loan. UEI has received letters of interest from two commercial lenders. In order to meet the property sale closing in June, UEI has made an offer of \$35.3 million, which was accepted. At some point during the next 36 months, long-term financing, either from Systemwide Revenue Bonds or from a revenue bond issuance under the auxiliary's own authority, would take-out the loan. Once CalSTRS has vacated the property, additional financing will be sought to renovate and equip the building for auxiliary and campus use. Repayment would be from leases with various tenants, who would occupy the building. However, before moving forward some due diligence on the property must be conducted. We will provide an update on all factors associated with this potential purchase at the Trustees meeting.

The Committee on Campus Planning, Buildings and Grounds also will be reviewing this acquisition at the May meeting for approval of an amendment to the 2006-2007 Capital Outlay Program, Non-State Funded.

Trustee Resolution and Recommended Action:

The following resolution is recommended for approval:

RESOLVED, by the Board of Trustees of the California State University, that the Trustees approve the request by the University Enterprises, Inc. to obtain a loan in an amount of up to \$37,000,000 to acquire the CalSTRS property at 7667 Folsom Boulevard, Sacramento; and confirm that the Chancellor or his designees are authorized to take any and all actions on behalf of the Board of Trustees and to execute any documents that in their judgment are necessary to assist the auxiliary to complete the financing described herein.