

AGENDA

JOINT MEETING OF THE COMMITTEES ON FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS

Meeting: 3:30 p.m., Wednesday, November 12, 2014
Glenn S. Dumke Auditorium

Committee on Finance

Roberta Achtenberg, Chair
Steven M. Glazer, Vice Chair
Talar Alexanian
Adam Day
Rebecca D. Eisen
Debra S. Farar
Margaret Fortune
Lupe C. Garcia

Committee on Capital Planning, Buildings and Grounds

J. Lawrence Norton, Chair
Rebecca D. Eisen, Vice Chair
Talar Alexanian
Adam Day
Lillian Kimbell
Steven G. Stepanek

Consent Items

Approval of Minutes of Meeting of September 9, 2014

Discussion

1. New Capital Financing Authority and Revisions to the California State University Policy for Financing Activities, *Action*

**MINUTES OF THE MEETING OF JOINT
COMMITTEES ON FINANCE AND CAPITAL PLANNING, BUILDINGS AND
GROUNDS**

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

September 9, 2014

Members Present

Finance Committee

Roberta Achtenberg, Chair
Steven M. Glazer, Vice Chair
Talar Alexanian
Adam Day
Rebecca D. Eisen
Debra S. Farar
Margaret Fortune
Lupe Garcia

Campus Planning, Buildings and Grounds Committee

Rebecca D. Eisen, Vice Chair
Talar Alexanian
Adam Day
Lillian Kimbell
Steven G. Stepanek

Timothy P. White, Chancellor
Lou Monville, Chair of the Board

Trustee Achtenberg called the meeting to order.

Approval of Minutes

The minutes of July 22, 2014 were approved by consent as submitted.

**New Capital Financing Authority and Revisions to the California State
University Policy for Financing Activities, *Information Item***

Mr. Steve Relyea, Executive Vice Chancellor and Chief Financial Officer addressed the board, stating that providing a productive and safe environment for CSU students, faculty, and staff is one of the most important responsibilities we have as stewards of this great university.

Funding from the State to address our critical building needs has essentially vanished over recent years. At previous board meetings, we have discussed the new capital financing authorities given to the CSU from the State of California. These new authorities clearly present significant challenges, but also provide opportunities going forward with the CSU's capital program. Among the most serious challenges is CSU taking on responsibility for the debt associated with its financed building projects that were previously the responsibility of the State. The CSU was given this debt without a commitment from the State to provide any new resources for new buildings and deferred maintenance in the future. However, while this presents a significant challenge, the new arrangement with the State gives CSU new authority to restructure the resources at our disposal to address our most pressing needs for new academic buildings, infrastructure, and critical deferred maintenance projects.

Mr. Relyea stated that the purpose of this presentation was to continue the dialog on how to best use this new authority to provide students, faculty, and staff with facilities that are effective in providing the best possible environment for teaching and the other essential activities of the university.

Mr. Robert Eaton, Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management then reviewed the new capital financing authorities, as well as the preliminary recommendations that were presented to the board at the July 2014 meeting. The new authorities allow the CSU to pledge its annual general fund support budget and any of its other revenues, including student tuition fees, to secure CSU debt issued pursuant to the State University Revenue Bond Act of 1947. This is the same authority under which the CSU's Systemwide Revenue Bond, or SRB, program has been created. The use of the general fund support budget appropriation to fund academic buildings and infrastructure projects, and to refund, restructure, or retire State Public Works Board (SPWB) bond debt is limited to twelve percent of the general fund support budget. Similarly, the funding of pay-as-you-go projects falls within the same twelve percent limitation.

Mr. Eaton stated that staff proposed the utilization of new authorities by working through the existing Systemwide Revenue Bond (SRB) program as staff believed the risks associated with this approach are minimal and manageable. Additionally, staff recommended that the capital financing resources available under the new authorities be managed centrally, with the Chancellor's Office reviewing campus needs and providing recommendations to the board on the prioritization of campus projects eligible for financing under the new authorities.

He also stated that staff believed it is important to build in some flexibility to permit campuses to manage their own revenue resources for individual projects in the future. As such, staff recommended that campuses be allowed to make use of pay-as-you-go funds and/or reserves to reduce the amount of debt issued and speed project implementation. In addition, staff recommended that the CSU take advantage of the authority to refinance SPWB bond debt into the SRB program to generate savings. Consistent with the existing CSU policy for financing

activities, staff recommended that the chancellor, through delegated authority, develop and establish other debt structure and policy changes.

Mr. Eaton indicated that long term capital planning will be critical in ensuring that the new capital financing authorities address the CSU's needs. Key areas that this planning will address include the prioritization of capital projects, risk identification and mitigation, and the potential impact on CSU's credit ratings and its cost of capital.

Also of importance, he stated, will be identifying the sources of revenue, those to be generated by the CSU and/or those to be provided by the State in the future that will be required to support debt at levels that prudently address the CSU's capital needs. Identifying these sources of revenues will be critical, because current levels and sources of revenue are not adequate to address the CSU's capital needs and take advantage of the new capital financing authorities. A pledge of a revenue source is an agreement by an issuer of debt to provide those revenues in the event that the issuer does not meet its debt service obligation. Pledged revenues that are not used for actual payment of debt service can be used for other purposes, such as meeting operational needs. Staff recommended that the board delegate authority to the chancellor to determine which revenues will be pledged to secure CSU debt and when those revenues will be pledged.

Mr. Eaton stated that staff proposed returning to the board in November for action on program structure and debt policy, including the delegation of pledging authority to the chancellor. By January 2015, staff plans to finalize the additional program structure and policy details through the Chancellor's Office Executive Order process, and present not-to-exceed financing amounts for a slate of projects for approval by the board. Staff is targeting the spring of 2015 for an initial issuance of debt under the new authorities, subject to favorable market conditions.

Trustee Achtenberg thanked staff for the informative and cogent presentation and asked the board for feedback to assist staff in developing a plan for final consideration in November.

Trustee Glazer thanked the staff for the thorough presentation. He expressed his concerns about the plan and stated that it is a very dramatic and worrisome change. The plan has instilled in it some irreversible choices that will affect the board decades down the road. He indicated that if the board decides to borrow without a dedicated revenue source and does not receive the necessary funding in the future, the CSU will have to find a replacement source to pay off that debt. Funding from the State will never be guaranteed. He indicated the importance of dedicating a revenue source and showing where the money will come from. He stated he would like to see the overall CSU needs and how these needs will be funded. In addition, he would like a renewed conversation with the executive and legislative branch about whether this is the right direction for the CSU and that he would like to ask the legislature and the governor for reconsideration.

Trustee Stepanek inquired about the pledging process. He stated that tuition funds are targeted for some very specific things and are held by the campuses. Mr. Eaton responded that both the general fund and student tuition funds have historically been used for operating purposes. He indicated that the legislature had approved the use of general funds to be pledged as well as other revenues. He added that tuition is no longer strictly for operating purposes and can be used for capital needs.

Chancellor White stated that there is a distinction between using a revenue stream that is not predictable as a pledge versus a revenue stream that is available to actually pay the debt service. He stated that there is a need for clarity between the pledging versus the actual payment of debt. Mr. Relyea emphasized the importance of differentiating between the pledge and the actual source of payment. He added that one is a backstop to bond holders and the other is what is required to pay the debt service. He stated that a number of universities including the University of California have pledged tuition for their debt programs. He added that the University of California has never used tuition to pay for debt. Pledging tuition lets the rating agencies know that we stand behind the debt.

Trustee Day noted that there is no guarantee from the legislature that comes with this new authority for ongoing years. He added that the resources available are not close to scratching the surfaces of CSU's needs. He then recalled his visit to CSU San Francisco where he saw antiquated buildings in need of repair and indicated that people do not realize the gravity of CSU's deferred maintenance needs.

Trustee Achtenberg agreed with the various perspectives. She indicated that presumably the CSU will receive an ongoing augmentation to help cover the debt service but it is not guaranteed and therefore alternative sources of revenue should be considered such as public-private-partnerships and fundraising. Also, now that the board has the authority to refinance its debt it could receive a lower interest rate and possibly use the savings to issue new debt. She added that the board should remain cognizant of the current \$1.8 billion of deferred maintenance.

Trustee Achtenberg further added that there are activities the board will have to do in the upcoming year to make a case for reconsideration. She indicated that she would like that effort to be accompanied by an effort to augment the amount of resources that are committed to the capital program. She would like the CSU to ask the Department of Finance for an additional \$100 million. The greater amount would give the CSU the ability to address backlogs, growth needs and deal more effectively with capital needs. She also expressed her willingness to give Chancellor White the authority to use \$10 million for financing now.

Speaker Atkins expressed the significance of this discussion and agreed with Trustee Glazer that this should be looked at again. She expressed the importance of having a plan B and being prepared to make a very good case. She appreciated being present for the conversation and indicated that the message was received. She stated that she will take the message back and have discussions about it with the budget director and policy staff on the assembly side. Chancellor

White inquired if there would be negative implications with respect to engaging the assembly in a broader discussion of reconsidering this policy if the board authorized the \$10 million into debt. Speaker Atkins responded that she did not believe so.

Trustee Monville indicated the need to make sure things do not get worse this year. He stated he would like to address the critical and urgent needs such as power lines and waterlines; things that a campus cannot conduct basic business without. The \$10 million in financing to get the \$130 million would help address some of the current issues. He referred back to his trip to San Francisco State and hearing the horror stories of having to empty 130,000 square feet of lab and classroom space because the building was inhabitable. He stated that it was the board's fiduciary responsibility for the health and welfare of students that are in and using those facilities. He is also open to the idea of reconsideration and shares Mr. Relyea's concern about not having a dedicated revenue stream to solve the problem.

Chancellor White indicated that there are a number of areas to explore but he would like board direction on whether or not to move forward on planning to commit and bring back to the board as a decision the \$10 million for debt. He added that a simultaneous campaign to reconsider the policy will not generate revenues in the near term. He further added there is also the option of augmentation in the form of a one-time request to the Department of Finance.

Trustee Achtenberg asked that the board express their thoughts regarding leveraging \$10 million for debt service.

Trustee Day agreed that there is a need to find a solution to address these urgent needs and in the past there was not a system in place to address these issues. However, he added if the board engages in this program they are committing to \$10 million per year for the payoff period. While it is a small amount of money, there is a risk of the state reducing support. If this happens, in order to cover the debt, board might need to raise tuition or lay people off.

Trustee Achtenberg agreed with Trustee Day and added that \$10 million is a modest amount and feels confident that the board will never be in a position of jeopardizing their security in order to payoff that debt. She indicated that as a method of buying time, she is willing to let Chancellor White move forward with the financing. However, she would like the board to vigorously seek reconsideration and/or an augmentation.

Trustee Glazer questioned the need for a facility fee of \$25 a semester to help pay for the \$10 million of debt service that will leverage the approximate \$130 million. He inquired if there are any other choices within the budget to take care of the \$130 million in needs. Chancellor White responded that there are several choices; one could be the revenue from the refinancing of existing debt. He indicated that staff would be working on refining these options.

Trustee Fortune indicated that she would like to see this item come back as an action item because there is a need for a clearer understanding. Trustee Kimbell agreed with Mr. Relyea and

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added that although fairly new to board she is sure there is a great need in capital improvements and deferred maintenance. She would like to learn more about the options.

There being no further questions, Trustee Achtenberg adjourned the Joint Committee on Finance and Capital Planning, Buildings and Grounds.

**COMMITTEES ON FINANCE AND
CAMPUS PLANNING, BUILDINGS AND GROUNDS**

New Capital Financing Authority and Revisions to the CSU Policy for Financing Activities

Presentation By

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Robert Eaton
Acting Deputy Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

This item: (1) provides information to the California State University Board of Trustees regarding the new capital financing authorities granted to the CSU by statute in June 2014, including updated information regarding the level of additional revenues needed to effectively implement the new authorities and the options regarding the form that those additional revenues may take; and (2) requests action from the CSU Board of Trustees regarding proposed revisions to the CSU Policy for Financing Activities, including a recommendation to delegate authority to the chancellor to pledge the operating revenue of the CSU to secure debt (under the new capital financing authorities).

Background

In November 2013, the board approved the State and Non-State Funded Five-Year Capital Improvement Program 2014-2015 through 2018-2019 totaling over \$7.0 billion and \$3.7 billion, respectively. The Five-Year Capital Improvement Program included the campuses' highest priority academic program and instructional support requests seeking state funds for 2014-2015 of \$456.4 million. Of this amount, the administration and legislature appropriated \$5.8 million in remaining State General Obligation bond funds to provide equipment and furnishings for three buildings under construction.

At this November 2014 board meeting, the trustees will be asked to consider the 2015-2016 Capital Outlay Program, which includes a CSU/State funded priority list for academic buildings totaling over \$404 million. Many of these projects have been on the priority list for five years or more due to the lack of state funding for the capital program. In the Committee on Campus Planning Buildings and Grounds, Agenda Item 4 presents the capital program request along with

Figure 1 that displays the significant decline in state funding of projects to support the academic program.

At the July 2014 and September 2014 meetings, the board received information on new capital financing authorities approved by the state legislature in June 2014. These new authorities (Education Code Sections 89770-89774, 90083) include:

- a) Authority for the CSU to pledge, in addition to any of its other revenues, its annual general fund support budget appropriation, less the amount of that appropriation required by the State to meet State General Obligation and State Public Works Board debt service, to secure CSU debt issued pursuant to the State University Revenue Bond Act of 1947¹ (1947 Bond Act). The new authority also provides that the state will not restrict or impair the CSU's ability to pledge its annual general fund support budget appropriation, as long as any debt supported by the pledge remains outstanding.

Under this provision, no more than twelve percent of the annual general fund support budget appropriation may be used to: (a) fund debt service for capital expenditures; and (b) fund capital expenditures on a pay-as-you-go basis. With respect to this twelve percent limitation, capital expenditures generally means academic facilities, deferred maintenance, critical infrastructure, and any refinancing of State Public Works Board debt.

- b) Flexibility under the 1947 Bond Act that allows the CSU to utilize the new authorities through its existing Systemwide Revenue Bond (SRB) program.
- c) Ability to refinance State Public Works Board bond debt with CSU debt.
- d) Streamlining of the project submittal process to the Department of Finance and the legislature.

At the July 2014 and September 2014 meetings, the board heard preliminary recommendations on how to implement the new capital financing authorities, including recommendations on program structure and revisions to debt policy. These recommendations included the following:

- a) Utilize the new capital financing authorities by working through the CSU's existing SRB program, an established, well-rated, and well known debt program. By working through the SRB program, the costs and the speed of development will be less compared to the creation of a new, stand-alone debt program.

¹ The State University Revenue Bond Act of 1947 is the authority under which the CSU's Systemwide Revenue Bond program has been created.

- b) Given that the new revenue sources available to support debt under the new authorities will be limited (i.e. that portion of operating funds allocated by the board to support the financing of deferred maintenance and critical infrastructure needs), centrally manage the capital financing resource generated under the new authorities as a strategic resource with some flexibility to permit campuses to manage their own resources for individual projects in the future. With this approach in mind, the prioritization of campus projects eligible for financing under the new authorities will remain a function of the CSU Office of the Chancellor to evaluate campus needs and provide recommendations to the board on project priorities.
- c) Due to the varying nature (complexity, dollar amount, project type) of campus financed projects, allow campuses to make use of pay-as-you-go funds and/or reserves to reduce the amount of debt issued and speed project implementation.
- d) Opportunistically refinance and/or restructure State Public Works Board debt into the SRB program to generate savings.
- e) Consistent with the existing CSU Policy for Financing Activities (RFIN 03-02-02), delegate authority to the chancellor to develop and establish other debt structure and policy changes (e.g. debt service coverage ratios) needed to utilize the new capital financing authorities through the SRB program.
- f) In order to maximize flexibility to the CSU in implementing the new capital financing authorities, delegate authority to the chancellor to determine which new revenues will be pledged to secure CSU debt and when those new revenues will be pledged.

Additional New Revenues Required to Address Future Capital Needs

The new capital financing authorities provide the CSU with tools to address its approximately \$2 billion in deferred maintenance and critical infrastructure backlog, as well as meet facility renewal needs well into the future. However, as presented to, and discussed by, the board at its March 2014, May 2014, and September 2014 meetings, the level of new base funding provided by the state to address capital needs (the \$297 million augmentation in the 2014-2015 budget to cover State General Obligation and State Public Works Board bond debt service) is not adequate to support new capital funding to address the deferred maintenance and critical infrastructure backlog. As presented in those meetings, analysis indicated that a minimum of \$100 million more in new revenue would be needed to support enough debt issuance to reduce the deferred maintenance backlog to reasonable levels. Other efforts to increase capital resources, including legislative efforts to support a new K-12/Higher Education General Obligation bond and to provide one-time funds to address critical infrastructure and deferred maintenance needs, have not been supported by the administration.

At the September 2014 meeting of the board, several trustees expressed the idea of going back to the legislature and renewing the request for additional state funding to provide the CSU with revenues in order to take advantage of the new capital financing authorities. Under one plausible scenario, the renewed request for additional funding from the state could be phased-in over several years—for example, \$25 million over four years. These increases totaling \$100 million in permanent base funding, coupled with future support for one-time funds for deferred maintenance and the \$10 million in funding for capital needs already approved by the board in its 2014-2015 budget, could be the near term approach to address facility needs. In addition, CSU's cash flow may improve as the debt service on state general obligation bonds and State Public Works Board reduces over time. This phased-in approach could generate revenues to support roughly \$2 billion in debt issuance through 2023-2024 to address the deferred maintenance backlog.

To the extent that renewed requests for additional state funding are not successful, the staff would reluctantly come back to the Board with an analysis of other options including a possible future tuition increase or a capital facilities fee.

This phased-in scenario also assumes no new capital funding from other potential sources that have been discussed with the board, such as revenues from enterprise operations, fundraising, capital reserves, public-private partnerships, and the potential refinancing and/or restructuring of State Public Works Board bond debt. Each of these areas has the potential to reduce the amount of additional funding that may be asked of the state or students, and will continue to be areas of focus for staff and the campuses.

Furthermore, this long term capital planning will take into account input from the board, the prioritization of capital projects, risk identification and mitigation, impact on credit ratings, and the cost of capital.

Delegation of Pledge Authority to the Chancellor and Discussion of Key Pledge Options

As presented to the board at its September 2014 meeting, staff recommends that the board delegate authority to the chancellor to determine which new revenues will be pledged to secure CSU debt and when those new revenues will be pledged.

Under the new capital financing authorities, the CSU may pledge its operating revenues including general fund, tuition, and other revenues. Based on board discussion from the September 2014 meeting, a third option would be to create and pledge a capital facilities fee.

As presented to the board at its September 2014 meeting, pledging the general fund support budget appropriation comes with certain restrictions and requirements that will limit the CSU's capital financing flexibility. Only twelve percent of the general fund support budget appropriation, less any amount required to meet State General Obligation and State Public Works

Board debt service, may be used to fund academic facilities, a limit that could impair the CSU's ability to fully address its capital needs in the long run. If the general fund support budget appropriation is pledged, projects would still need to be submitted to the Department of Finance and the legislature for approval, a process that could impair the timing of capital financing as well as restrict the types of projects the CSU may wish to fund. Finally, the general fund is not a revenue source that the CSU controls and one that would continue to be subject to possible fluctuations based upon future budget decisions of the state legislature.

Pledging other revenue including student tuition would provide the CSU with more capital financing flexibility compared to pledging the general fund support budget appropriation. Because of the types of pledging options available, the considerations that come with each option, and changing financial circumstances, providing the chancellor with the authority to make pledge decisions will maximize the financial flexibility of the CSU.

Restructuring of State Public Works Board Debt

State Public Works Board debt may be refinanced with CSU debt, which has been presented as a preliminary recommendation of staff. In the context of long term capital planning and the need to look for ways to generate resources to meet capital needs, a more comprehensive restructuring of the State Public Works Board bond debt may be appropriate. Such a restructuring would extend debt service to better match the useful lives of CSU facilities and free up cash flow to meet critical near term needs. Staff will continue to evaluate restructuring options with the goal of returning to the board at a future meeting with recommendations for financing approval.

Revisions to Debt Policy and Action by the Board

Attachment A is a marked up version of the existing CSU Policy for Financing Activities (RFIN 03-02-02), amended to reflect revisions made in accordance with the recommendations outlined above, using *italics* for proposed new language and ~~strikethroughs~~ for deletions.

Recommendation

The following resolution is presented for approval:

RESOLVED, by the Board of Trustees of the California State University, that the revisions to the CSU Policy for Financing Activities are approved as described in Attachment A of Agenda Item 1 of the Joint Meeting of the Committee on Finance and the Committee on Campus Planning, Buildings and Grounds at the November 12-13, 2014 meeting of the Board of Trustees of the California State University, in order to implement the new capital financing authorities granted to the CSU by statute in June 2014.

**CSU Policy for Financing Activities
Board of Trustees' Resolution**

WHEREAS, The Board of Trustees of The California State University ("the Board" or "the Trustees") finds it appropriate and necessary to use various debt financing programs afforded to it through the methods statutorily established by the legislature, and to use to its advantage those programs available to it through debt financing by recognized auxiliary organizations of the California State University; and

WHEREAS, The Board recognizes the capital needs of the CSU require the optimal use of all revenues to support its academic mission; and

WHEREAS, The Board wishes to establish and maintain policies that provide a framework for the approval of financing transactions for the various programs that enable appropriate oversight and approval by the Trustees; and

WHEREAS, Within a policy framework, the Board desires to establish appropriate delegations that enable the efficient and timely execution of financing transactions for the CSU and its recognized auxiliary organizations in good standing; and

WHEREAS, The Board recognizes that there is a need from time to time to take advantage of rapidly changing market conditions by implementing refinancings *or restructurings*; ~~that will lower the cost of debt financing for the CSU and its auxiliary organizations and that such refinancings could be better implemented by reducing the time required to authorize such refinancings~~; and

WHEREAS, The Board finds it appropriate ~~to establish the lowest cost debt financing programs for the CSU, and~~ to use the limited debt capacity of the CSU in the most prudent manner; and

WHEREAS, There are certain aspects of the tax law related to the reimbursement of up-front expenses from tax-exempt financing proceeds that would be more appropriately satisfied through a delegation to the Chancellor without affecting the Trustees' ultimate approval process for such financings; now, therefore be it

RESOLVED, by the Board of Trustees of The California State University as follows:

Section 1. General Financing Policies

1.1 The State University Revenue Bond Act of 1947 (*1947 Bond Act*) and *Education Code Sections 89770-89774 (EC 89770-89774)* (collectively, the “*CSU Bond Acts*”) provides the Board of Trustees with the ability to acquire, construct, *finance*, or refinance projects funded with debt instruments repaid from various revenue sources.

1.2 The long-term debt programs of the Board of Trustees established pursuant to the *CSU Bond Acts* shall be managed by the Chancellor, *to the greatest extent possible*, to credit rating standards in the "A" category, *at minimum*.

1.3 The intrinsic rating of any debt issued by the Trustees shall be at investment grade or better.

1.4 The Trustees’ debt programs should include the prudent use of variable rate debt and commercial paper to assist with lowering the overall cost of debt.

1.5 The Trustees’ programs shall be designed to improve efficiency of access to the capital markets by consolidating ~~revenue~~ bond programs where possible.

1.6 The Chancellor shall develop a program to control, set priorities, and plan the issuance of all long-term debt consistent with the five-year ~~non-state~~ capital outlay program.

1.7 The Chancellor shall annually report to the Trustees on the activity related to the issuance of long-term debt.

Section 2. Financing ~~Program~~ Structure of the CSU's Debt Programs

2.1 To use the limited debt capacity of CSU in the most cost effective and prudent manner, all on-campus student, faculty, and staff rental housing, parking, student union, health center, and continuing education capital projects will be financed by the Trustees using a broad systemwide multi-source revenue pledge under the authority of the *CSU Bond Acts* in conjunction with the respective authority of the Trustees to collect and pledge revenues.

~~Other revenue-based~~ on-campus and off-campus projects, *including academic and infrastructure support projects*, will also be financed through this ~~program and structure under the authority of the CSU Bond Acts~~, unless there are compelling reasons why a project could not or should not be financed through this ~~program structure~~ (see Section 3 below).

2.2 The Chancellor is hereby authorized to determine which revenues may be added to the broad systemwide multi-source revenue pledge under the authority granted by the CSU Bond Acts, to determine when such revenues may be added, and to take appropriate action to cause such additional revenues to be pledged to CSU debt in accordance with the CSU Bond Acts.

2.23 The Chancellor shall establish minimum debt service coverage and other requirements for ~~Bond Act~~ financing transactions undertaken under the CSU Bond Acts and/or for the related campus programs, which shall be used for implementation of the Trustees' debt programs. The Chancellor shall also define and describe the respective campus program categories.

2.34 The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized and directed, for and in the name and on behalf of the Trustees, to take any and all actions necessary to issue bonds pursuant to the CSU Bond Acts to acquire or construct projects. Authorized Representatives of the Trustees, with the advice of the General Counsel, are authorized to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, all bond resolutions, bond indentures, official statements and all other documents, certificates, agreements and information necessary to accomplish such financing transactions.

2.45 The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the ~~Senior Director of Financing and Treasury~~ Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized

Representatives of the Trustees"), are hereby authorized and directed, for and in the name and on behalf of the trustees, to take any and all actions necessary to refinance any existing bonds issued pursuant to the *CSU Bond Acts of 1947* ~~if the refinancing transaction will result in net present value savings, as determined by an Authorized Representative of the Trustees and which determination shall be final and conclusive.~~ Authorized Representatives of the Trustees, *with the advice of the General Counsel*, are authorized to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, all bond resolutions, bond indentures, official statements and all other documents, certificates, agreements and information necessary to accomplish such refinancing transactions.

Section 3. Other Financing Programs

3.1 The Board recognizes that there may be projects, or components of projects, that a campus wishes to construct that are not advantaged by, or financing is not possible *for*, or ~~is~~ *are* inappropriate for ~~the financing under the CSU Bond Acts financing program.~~ A campus president may propose that such a project be financed as an auxiliary organization or third party entity financing, if there is reason to believe that it is more advantageous for the transaction to be financed in this manner than through the *CSU Bond Acts* financing program.

3.1.1 Such financings and projects must be presented to the Chancellor for approval early in the project's conceptual stage in order to proceed. The approval shall be obtained prior to any commitments to other entities.

3.1.2 These projects must have an intrinsic investment grade credit rating, and shall be presented to the Trustees to obtain approval before the financing transaction is undertaken by the auxiliary organization or other third party entity.

3.1.3 If a project is approved by the Trustees, the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the ~~Senior Director of Financing and~~

~~Treasury~~ *Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management*, and each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for and in the name and on behalf of the Trustees, to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, any and all documents and agreements with such insertions and changes therein as such Authorized Representatives of the Trustees, with the advice of the General Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, in order to assist with the planning, design, acquisition, construction, improvement, financing, and refinancing of the projects.

3.2 The Chancellor may require campus presidents to establish campus procedures applicable to campus auxiliary organizations for the issuance of debt instruments to finance or to refinance personal property with lease purchase, line-of-credit, or other tax-exempt financing methods. The procedures issued by the Chancellor need not contain a requirement for approval of the Trustees or the Chancellor but may include authority for campus presidents to take all actions to assist the auxiliary organization on behalf of the Trustees to complete and qualify such financing transactions as tax-exempt.

Section 4. State Public Works Board Lease Revenue Financing Program

4.1 The authorizations set forth in this section shall be in full force and effect with respect to any State Public Works Board project which has been duly authorized by the Legislature in a budget act or other legislation and duly signed by the Governor and which is then in full force and effect.

4.2 The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the ~~Senior Director of Financing and Treasury~~ *Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management*, and *Assistant Vice Chancellor for Capital Planning, Design and Construction* each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for and in

the name and on behalf of the Trustees, to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, any and all construction agreements, equipment agreements, equipment leases, site leases, facility leases and other documents and agreements with such insertions and changes therein as such Authorized Representatives of the Trustees, with the advice of the General Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, in order to provide for the planning, design, acquisition, construction, improvement, financing, and refinancing of the projects.

Section 5. Credit of the State of California

5.1. The delegations conferred by this resolution are limited and do not authorize the Chancellor or other Authorized Representatives of the Trustees to establish any indebtedness of the State of California, the Board of Trustees, any CSU campus, or any officers or employees of any of them. Lending, pledging or otherwise using the credit established by a stream of payments to be paid from funds appropriated from the State of California for the purpose of facilitating a financing transaction associated with a capital project is permitted only if specifically authorized by a bond act or otherwise authorized by the legislature.

Section 6. Tax Law Requirement for Reimbursement of Project Costs

6.1 For those projects which may be financed under the authority of the Trustees, the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the ~~Senior Director of Financing and Treasury~~ *Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management*, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized to make declarations on behalf of the Trustees solely for the purposes of establishing compliance with the requirements of Section 1.150-2 of the U.S. Treasury Regulations; provided, however that any such declaration:

6.1.1 Will not bind the Trustees to make any expenditure, incur any indebtedness, or proceed with the project or financing; and

6.1.2 Will establish the intent of the Trustees at the time of the declaration to use proceeds of future indebtedness, if subsequently authorized by the Trustees, to reimburse the Trustees for expenditures as permitted by the U.S. Treasury Regulations.

Section 7. Effective Date and Implementation

7.1 Within the scope of this financing policy, the Chancellor is authorized to further define, clarify and otherwise make and issue additional interpretations and directives as needed to implement the provisions of this policy.

7.2 This resolution supersedes RFIN ~~11-98-18~~ 03-02-02 and shall take effect immediately. ~~However, the Chancellor shall have the authority to authorize on an individual basis, auxiliary organization projects that are in the planning stage as of the adoption of this policy to proceed under the previous policy in order to prevent situations that would result in additional project costs or additional time to completion.~~