**TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY**
**California State University**
**Office of the Chancellor—Glenn S. Dumke Auditorium**
**401 Golden Shore**
**Long Beach, CA 90802**

**Agenda**
**January 26-28, 2015**

| **Time*** | **Committee** | **Place** |
|---|---|---|

***Monday, January 26, 2015***

**10:00 a.m.** **Board of Trustees Retreat** **Munitz Conference Room**

10:10 a.m. Goals for the day

***Session One***

10:25 a.m. Kati Haycock – *California's Leadership Position in a National Context*
11:05 a.m. Discussion

***Session Two***

11:35 a.m. Tom Meredith – *Consequential Boards*
12:15 p.m. Discussion

12:45 p.m. Lunch

***Session Three***

1:45 p.m. Executive Vice Chancellor and General Counsel Fram Virjee
Bagley Keene Act

***Session Four***

2:30 p.m. Board Organization and Communication

***Tuesday, January 27, 2015***

**7:30 a.m.** **Subcommittee on Honorary Degrees —Closed Session** **Munitz Conference Room**
Government Code §11126(c) (5)

**8:00 a.m.** **Call to Order** **Dumke Auditorium**

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**8:05 a.m.** **Board of Trustees—Closed Session** **Munitz Conference Room**
**Executive Personnel Matters**
Government Code §11126(a)(1)

**Committee on Collective Bargaining—Closed Session**
Government Code §3596(d)

**Pending Litigation**
Government Code §11126(e)(1)
Keller v. CSU
CSU v. Clark, et al.
Gibson v. CSU

**Committee on Educational Policy—Closed Session**
Honorary Degree Nominations and Subcommittee Recommendations, *Action*
Government Code §11126(c)(5)

**Executive Personnel Matters**
Government Code §11126(a)(1)

**11:45 p.m.** **Luncheon**

**12:30 p.m.** **State of the California State University** **Dumke Auditorium**

**1:15 p.m.** **Committee on Institutional Advancement** **Dumke Auditorium**

1. Annual Report on Philanthropic Support for 2013-2014, *Action*
2. Naming of a Facility−San Francisco State University, *Action*

**1:45 p.m.** **Committee on Governmental Relations** **Dumke Auditorium**

1. Federal Agenda for 2015, *Action*
2. Statement of State Legislative Principles for 2015-2016, *Action*
3. Sponsored State Legislative Program for 2015, *Action*

**2:30 p.m.** **Committee on Audit** **Dumke Auditorium**

1. Assignment of Functions to Be Reviewed by the Office of Audit and Advisory Services for Calendar Year 2015, *Action*
2. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
3. Report of the Systemwide Audit in Accordance with Generally Accepted Accounting Principles Including the Report to Management, *Information*
4. Single Audit Reports of Federal Funds, *Information*

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**3:15 p.m.** **Committee on Educational Policy** **Dumke Auditorium**

1. California State University Libraries of the Future, *Information*
2. California State University STEM Collaboratives, *Information*
3. The Apple Distinguished Program Award, *Information*
4. The Wang Family Excellence Award, *Information*

***Wednesday, January 28, 2015***

**8:00 a.m.** **Committee on Organization and Rules** **Dumke Auditorium**

1. Proposed Schedule of Board of Trustees' Meetings, 2016, *Information*

**8:05 a.m.** **Committee on University and Faculty Personnel** **Dumke Auditorium**

1. Executive Compensation: Executive Vice Chancellor for Academic and Student Affairs, *Action*
2. California State University Chancellor's Evaluation Policy, *Action*
3. Executive Compensation: Individual Transition Program, *Information*

**8:30 a.m.** **Committee on Campus Planning, Buildings and Grounds** **Dumke Auditorium**

1. Amend the 2014-2015 Non-State Funded Capital Outlay Program for California State University Channel Islands and California Polytechnic State University, San Luis Obispo, *Action*
2. Certify the Final Environmental Impact Report and Approve the Campus Master Plan Revision, the Amendment of the 2014-2015 Non-State Capital Outlay Program and Schematic Plans for the Parking Structure II for California State Polytechnic University, Pomona, *Action*
3. Approval of Amendment of the 2014-2015 Non-State Capital Outlay Program and Schematic Plans for University Office Park, Phase I for California State University, Bakersfield, *Action*
4. Acceptance of Interest in Real Property at California State University, San Bernardino Palm Desert Off-Campus Center, *Information*
5. California State University Channel Islands' CI 2025 Strategy, *Information*

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**9:15 a.m.** **Committee on Finance** **Dumke Auditorium**

1. Working Group on Category II Student Success Fee, *Action*
2. Policy on Voluntary Statewide Student Involvement and Representation Fee (SIRF), *Action*
3. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University Channel Islands and California State Polytechnic University, Pomona, *Action*
4. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Systemwide Infrastructure Improvement Projects, *Action*
5. Approval of the Final Development Agreement for a Commercial Office Facility on Real Property at California State University, Bakersfield, *Action*
6. Report on the 2015-2016 Support Budget, *Information*
7. California State University Investment Authority, Policy, and Portfolio Review Initiative, *Information*
8. Implementation of Governmental Accounting Standards Board Statement No. 68−Accounting and Financial Reporting for Pensions−an amendment of Governmental Accounting Standards Board Statement No. 27, *Information*

**11:15 a.m.** **Committee on Collective Bargaining—Open Session** **Dumke Auditorium**

1. CSU/CSUEU, Unit 13 English Language Program Contract Ratification, *Action*
2. CSU/Union of American Physicians & Dentists Contract Ratification, *Action*

**12:00 p.m.** **Board of Trustees** **Dumke Auditorium**

**Call to Order and Roll Call**

**Public Comment**

**Chair's Report**

**Report of the Academic Senate CSU: *Chair—Steven Filling***

**Report of the California State University Alumni Council: *President—Kristin Crellin***

**Report of the California State Student Association: *President—Devon Graves***

**Approval of Minutes of Board of Trustees' Meeting of November 18, 2014**

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**Committee Reports**

**Committee on Institutional Advancement:** ***Chair—Steven Glazer***

1. Annual Report on Philanthropic Support for 2013-2014
2. Naming of a Facility−San Francisco State University

**Committee on Governmental Relations:** ***Chair—Douglas Faigin***

1. Federal Agenda for 2015
2. Statement of State Legislative Principles for 2015-2016
3. Sponsored State Legislative Program for 2015

**Committee on Audit:** ***Chair—Lupe C. Garcia***

**Committee of Educational Policy:** ***Chair—Debra S. Farar***

**Committee on Organization and Rules:** ***Chair—Steven G. Stepanek***

**Committee on University and Faculty Personnel:** ***Chair−Lillian Kimbell***

1. Executive Compensation: Executive Vice Chancellor for Academic and Student Affairs
2. California State University Chancellor's Evaluation Process

**Committee on Campus Planning, Buildings and Grounds:** ***Chair—J. Lawrence Norton***

1. Amend the 2014-2015 Non-State Capital Outlay Program for California State University Channel Islands and California Polytechnic State University, San Luis Obispo
2. Certify the Final Environmental Impact Report and Approve the Campus Master Plan Revision, the Amendment of the 2014-2015 Non-State Capital Outlay Program and Schematic Plans for the Parking Structure II for California State Polytechnic University, Pomona
3. Approval of Amendment of the 2014-2015 Non-State Capital Outlay Program and Schematic Plans for University Office Park, Phase I for California State University, Bakersfield

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**Committee on Finance:** ***Chair—Roberta Achtenberg***

1. Working Group on Category II Student Success Fee
2. Policy on Voluntary Statewide Student Involvement and Representation Fee (SIRF)
3. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University Channel Islands and California State Polytechnic University, Pomona
4. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Systemwide Infrastructure Improvement Projects
5. Approval of the Final Development Agreement for a Commercial Office Facility on Real Property at California State University, Bakersfield

**Committee on Collective Bargaining:** ***Chair−Roberta Achtenberg***

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**Addressing the Board of Trustees**

Members of the public are welcome to address agenda items that come before standing and special meetings of the board, and the board meeting. Comments should pertain to the agenda or university-related matters and not to specific issues that are the subject of collective bargaining, individual grievances or appeals, or litigation. Written comments are also welcome and will be distributed to the members of the board. The purpose of public comments is to provide information to the board, and not to evoke an exchange with board members. Questions that board members may have resulting from public comments will be referred to appropriate staff for response.

Members of the public wishing to speak must provide written or electronic notice to the Trustee Secretariat two working days before the committee or board meeting at which they desire to speak. The notice should state the subject of the intended presentation. An opportunity to speak before the board on items that are on a committee agenda will only be provided where an opportunity was not available at that committee, or where the item was substantively changed by the committee.

In fairness to all speakers who wish to speak, and to allow the committees and Board to hear from as many speakers as possible, while at the same time conducting the public business of their meetings within the time available, the committee or board chair will determine and announce reasonable restrictions upon the time for each speaker, and may ask multiple speakers on the same topic to limit their presentations. In most instances, speakers will be limited to no more than three minutes. The totality of time allotted for public comment at the board meeting will be 30 minutes, and speakers will be scheduled for appropriate time in accord with the numbers that sign up. Speakers are requested to make the best use of the public comment opportunity and to follow the rules established.

**Note:** Anyone wishing to address the Board of Trustees, who needs any special accommodation, should contact the Trustee Secretariat at least 48 hours in advance of the meeting so appropriate arrangements can be made.

Trustee Secretariat
Office of the Chancellor
401 Golden Shore, Suite 620
Long Beach, CA 90802
Phone: 562-951-4022
Fax: 562-951-4949
E-mail: lhernandez@calstate.edu

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# AGENDA

## COMMITTEE ON INSTITUTIONAL ADVANCEMENT

**Meeting:** **1:15 p.m., Tuesday, January 27, 2014**
**Glenn S. Dumke Auditorium**

Steven M. Glazer, Chair
Douglas Faigin, Vice Chair
Roberta Achtenberg
Debra S. Farar
Margaret Fortune
Hugo N. Morales
J. Lawrence Norton
Steven G. Stepanek

**Consent Items**

Approval of minutes of meeting of November 12, 2014

**Discussion Items**

1. Annual Report on Philanthropic Support for 2013-2014, *Action*
2. Naming of a Facility−San Francisco State University, *Action*

**MINUTES OF THE MEETING OF**
**COMMITTEE ON INSTITUTIONAL ADVANCEMENT**
**Office of the Chancellor**
**Glenn S. Dumke Auditorium**
**401 Golden Shore**
**Long Beach, California**

**November 12, 2014**

**Members Present**

Steven M. Glazer, Chair
Roberta Achtenberg
Douglas Faigin
Debra S. Farar
Margaret Fortune
Lou Monville, Chair of the Board
Hugo N. Morales
J. Lawrence Norton
Steven G. Stepanek
Timothy P. White, Chancellor

Trustee Glazer called the meeting to order.

**Approval of Minutes**

The minutes of September 9, 2014, were approved as submitted.

**Naming of a Facility – California State Polytechnic University, Pomona**

Mr. Garrett P. Ashley, vice chancellor for university relations and advancement, reported that the proposed naming recognizes the $2.5 million total contribution by Ronald W. Gregoire to complete funding for the new College of Business Administration complex at Cal Poly Pomona.

President J. Michael Ortiz and Chancellor White thanked Dr. Gregoire for his generous support, which will help Cal Poly Pomona meet the needs of current and future students in the College of Business through innovative learning spaces, as well as his leadership on the $150 million Campaign for Cal Poly Pomona.

The committee unanimously recommended approval by the board of the proposed resolution (RIA 11-14-08) that the College of Business Administration Classroom Building 163 at California State Polytechnic University, Pomona be named as Ronald W. Gregoire Hall.

**The Class of 3 Million**

Mr. Ashley shared that the California State University has reached a special milestone by exceeding 3 million living alumni. To communicate the social and economic value of CSU alumni, the Class of 3 Million celebration has been launched to run this academic year culminating with Commencement 2015.

Mr. Aaron Moore, director, alumni relations, provided an overview of the Class of 3 Million celebration and how the CSU can use it to further engage alumni in support of the CSU mission.

- The Class of 3 Million campaign highlights the impact of CSU graduates in everyday life and is a chance to involve all our faculty and staff—many of whom are alumni—in celebrating the achievements of the students they helped to educate.
- This is an opportunity to show the impact of the CSU in California, throughout the country and the world, with one out of every 20 Americans with a college degree receiving it from the CSU, and an alumni family larger than the population of 20 U.S. states.
- The centerpiece of the celebration is the Class of 3 Million online yearbook, which is a place where alumni can claim their spot in the celebration, network with other alumni, and become re-engaged or further engaged with their campus.
- Valuable data is collected and shared with campuses to use in furthering their alumni and philanthropic activities.
- Three ways to get involved in the Class of 3 Million are to create an alumni profile on the online yearbook, promote the campaign using #CSU3mil, or give thanks to a faculty or staff member with #ThanksCSU.

# COMMITTEE ON INSTITUTIONAL ADVANCEMENT

## Annual Report on Philanthropic Support for 2013-2014

**Presentation By**

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Lori A. Redfearn
Assistant Vice Chancellor
Advancement Services

**Summary**

This item presents information on philanthropic support received by the 23-campus California State University system from July 1, 2013 to June 30, 2014. Section 89720 of the Education Code requires that an annual gift report be submitted to the California Joint Legislative Budget Committee and the California Department of Finance.

A full report will be available in meeting handouts and additional campus highlights will be available for viewing at www.calstate.edu/ua/philanthropic.

**Overview**

Donors committed a record-breaking $457.3 million in charitable gifts to CSU campuses in 2013-14 – an increase of 35 percent from the previous year. This marks the third consecutive year the university has seen increases in philanthropic support. Gift commitments are comprised of new gifts, pledges and testamentary provisions recorded during the period. Gift receipts – new gifts, pledge payments and realized bequests – reached $295.7 million, which was a 4.5% increase over the prior year.

Over half of all gifts received serve the immediate needs of today's students. These gifts provide access to a broad and diverse student population, facilitate innovative teaching models and partnerships, and enhance the college experience. The CSU received over $166.0 million in current support for these efforts:

- $18.9 million for student scholarships
- $44.2 million for academic enrichment
- $9.9 million for research

- $30.6 million for public service programs
- $17.7 million for athletics
- $44.7 million for other designated priorities

Unrestricted support of $10.1 million represents 3.4% of all gifts received and is available for high priority needs. Additionally, campuses received $19.7 million in property and capital improvement gifts for facilities and equipment.

**Performance Benchmarking**

Philanthropic performance is benchmarked within peer groups of similar size and capacity. Group I campuses are making incremental progress toward raising an equivalent of 10% of the state budget allocation. Group II campuses are expected to raise an equivalent of 10-15% of the state budget allocation. Group III campuses are expected to raise more than 15%. This performance indicator is reviewed during the campus president evaluation. Overall, the CSU raised an equivalent of 22% of the state budget allocation.

Charitable Gift Commitments as a Percentage of the State Funded Budget

| | 2011/2012 | 2012/2013 | 2013/2014 | |
|---|---|---|---|---|
| Gift Commitments[1] | $ 297,010,687 | $ 338,328,036 | $ 457,271,633 | |
| State Budget | $1,936,822,538 | $1,825,646,737 | $2,075,283,433 | |
| Total Gift Commitments as a Percentage of State Budget | 15% | 19% | 22% | |
| | | | | Benchmark |
| Group I Average | 7% | 8% | 8% | <10% |
| Group II Average | 11% | 11% | 16% | 10-15% |
| Group III Average | 31% | 41% | 45% | >15% |

Note 1: Includes Chancellor's Office.

CSU philanthropic performance also compares favorably to similar universities across the nation. National comparisons are based on gift receipt numbers reported to the Voluntary Support of Education Survey conducted by the Council for Aid to Education. San José State ranked number four out of all public master's institutions across the nation following the College of Charleston, CUNY Hunter College, and Boise State University. Nine CSU campuses (Fullerton, Northridge, Pomona, Sacramento, San Francisco, Fresno, Long Beach, San José and San Luis Obispo) outperformed SUNY Buffalo, which was the highest ranked SUNY public master's institution raising $8.6 million. At $88.5 million, San Diego State outperformed SUNY Stony Brook reporting $78.6 million in the public research category. Cal Maritime, bringing in $2.4 million, outperformed the $1.7 million raised by the Maine Maritime Academy.

The following resolution is recommended for approval:

> **RESOLVED**, by the Board of Trustees of the California State University, that the Annual Report on Philanthropic Support for 2013-14 be adopted for submission to the California Joint Legislative Budget Committee and the California Department of Finance.

| Peer Group | Campus | 2011/2012 Total Gift Commitments | 2012/2013 Total Gift Commitments | 2013/2014 Total Gift Commitments | Three Year Average | | 2011/2012 Total Gift Receipts | 2012/2013 Total Gift Receipts | 2013/2014 Total Gift Receipts | Three Year Average |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Bakersfield | $2,645,739 | $5,267,573 | $7,336,831 | $5,083,381 | | $2,918,869 | $4,901,434 | $5,698,327 | $4,506,210 |
| | Channel Islands | $2,014,940 | $3,032,596 | $5,816,162 | $3,621,233 | | $2,648,451 | $2,423,029 | $1,766,331 | $2,279,270 |
| | Dominguez Hills | $4,122,003 | $3,889,594 | $1,709,956 | $3,240,518 | | $3,274,284 | $3,322,219 | $1,534,793 | $2,710,432 |
| | East Bay | $5,192,515 | $4,577,250 | $2,541,365 | $4,103,710 | | $3,079,080 | $2,954,823 | $3,431,059 | $3,154,987 |
| | Humboldt | $7,535,171 | $7,095,256 | $8,613,633 | $7,748,020 | | $5,709,064 | $5,550,024 | $7,652,638 | $6,303,909 |
| | Los Angeles | $5,985,996 | $5,306,456 | $5,325,416 | $5,539,289 | | $3,141,720 | $4,405,804 | $6,020,531 | $4,522,685 |
| | Maritime Academy | $1,596,985 | $2,588,723 | $2,755,384 | $2,313,697 | | $1,990,331 | $2,582,267 | $2,425,938 | $2,332,845 |
| | Monterey Bay | $5,768,245 | $4,207,401 | $4,052,582 | $4,676,076 | | $6,113,039 | $4,267,270 | $3,494,035 | $4,624,781 |
| | San Bernardino | $4,031,363 | $4,225,518 | $5,914,228 | $4,723,703 | | $3,133,509 | $2,429,411 | $4,265,523 | $3,276,148 |
| | San Marcos | $4,213,983 | $5,114,764 | $5,679,175 | $5,002,641 | | $2,282,904 | $4,660,321 | $3,685,210 | $3,542,812 |
| | Stanislaus | $2,358,933 | $2,166,357 | $1,010,541 | $1,845,277 | | $1,882,501 | $2,695,965 | $1,312,194 | $1,963,553 |
| | | **$45,465,873** | **$47,471,488** | **$50,755,273** | **$47,897,545** | | **$36,173,752** | **$40,192,567** | **$41,286,579** | **$39,217,633** |
| 2 | Chico | $7,564,497 | $8,871,183 | $9,548,488 | $8,661,389 | | $4,299,497 | $5,615,932 | $7,385,863 | $5,767,097 |
| | Fullerton | $7,294,986 | $8,576,136 | $16,027,456 | $10,632,859 | | $9,930,554 | $12,888,898 | $10,117,018 | $10,978,823 |
| | Northridge | $11,399,521 | $14,793,755 | $21,511,163 | $15,901,480 | | $8,975,525 | $13,327,290 | $13,269,224 | $11,857,346 |
| | Pomona | $10,744,565 | $10,164,473 | $34,828,837 | $18,579,292 | | $16,435,369 | $19,629,243 | $20,095,525 | $18,720,046 |
| | Sacramento | $11,162,488 | $10,212,592 | $14,236,085 | $11,870,388 | | $7,803,312 | $8,195,635 | $9,776,432 | $8,591,793 |
| | San Francisco | $17,016,911 | $15,378,536 | $14,338,699 | $15,578,049 | | $9,755,271 | $10,075,551 | $11,358,876 | $10,396,566 |
| | Sonoma | $12,384,760 | $5,537,811 | $11,037,607 | $9,653,393 | | $14,125,513 | $7,627,102 | $7,454,412 | $9,735,676 |
| | | **$77,567,728** | **$73,534,486** | **$121,528,335** | **$90,876,850** | | **$71,325,041** | **$77,359,651** | **$79,457,350** | **$76,047,347** |
| 3 | Fresno | $24,672,230 | $24,969,668 | $66,663,487 | $38,768,462 | | $13,222,664 | $19,820,116 | $17,189,360 | $16,744,047 |
| | Long Beach | $27,736,945 | $27,013,759 | $28,543,157 | $27,764,620 | | $18,132,857 | $13,680,347 | $14,633,860 | $15,482,355 |
| | San Diego | $67,052,356 | $83,909,499 | $96,752,543 | $82,571,466 | | $66,823,751 | $77,564,826 | $88,547,598 | $77,645,392 |
| | San Jose | $24,873,168 | $35,852,274 | $31,373,175 | $30,699,539 | | $14,259,028 | $33,362,138 | $30,225,418 | $25,948,861 |
| | San Luis Obispo | $27,172,680 | $42,553,738 | $49,168,594 | $39,631,671 | | $18,471,478 | $17,736,357 | $19,528,931 | $18,578,922 |
| | | **$171,507,379** | **$214,298,938** | **$272,500,956** | **$219,435,758** | | **$130,909,778** | **$162,163,784** | **$170,125,167** | **$154,399,576** |
| | Chancellor's Office | $2,469,707 | $3,023,124 | $12,487,069 | $5,993,300 | | $1,769,457 | $3,216,499 | $4,808,419 | $3,264,792 |
| **Grand Total** | | **$297,010,687** | **$338,328,036** | **$457,271,633** | **$364,203,452** | | **$240,178,028** | **$282,932,501** | **$295,677,515** | **$272,929,348** |

Note 1: Gift Commitments include new gifts, new pledges and testamentary commitments. Gift Receipts reflect assets received by the University in the form of new gifts and pledge payments.

| Peer Group | Campus | New Charitable Gifts | New Pledges | Testamentary Commitments | Native American & Government Contributions | Total Gift Commitments |
|---|---|---|---|---|---|---|
| 1 | Bakersfield | $5,237,238 | $2,099,593 | $0 | $0 | $7,336,831 |
| | Channel Islands | $1,349,520 | $453,791 | $3,870,000 | $142,851 | $5,816,162 |
| | Dominguez Hills | $1,043,524 | $128,910 | $0 | $537,522 | $1,709,956 |
| | East Bay | $1,412,752 | $1,108,613 | $20,000 | $0 | $2,541,365 |
| | Humboldt | $5,026,238 | $3,473,670 | $25,000 | $88,725 | $8,613,633 |
| | Los Angeles | $4,026,773 | $747,643 | $551,000 | $0 | $5,325,416 |
| | Maritime Academy | $2,372,663 | $7,721 | $375,000 | $0 | $2,755,384 |
| | Monterey Bay | $3,119,931 | $852,116 | $80,000 | $535 | $4,052,582 |
| | San Bernardino | $3,830,063 | $786,765 | $932,415 | $364,985 | $5,914,228 |
| | San Marcos | $2,920,210 | $953,715 | $1,500,000 | $305,250 | $5,679,175 |
| | Stanislaus | $881,541 | $79,000 | $50,000 | $0 | $1,010,541 |
| | | **$31,220,453** | **$10,691,537** | **$7,403,415** | **$1,439,868** | **$50,755,273** |
| 2 | Chico | $5,002,264 | $183,647 | $4,362,577 | $0 | $9,548,488 |
| | Fullerton | $9,111,338 | $2,481,118 | $4,435,000 | $0 | $16,027,456 |
| | Northridge | $9,996,368 | $8,978,001 | $2,536,794 | $0 | $21,511,163 |
| | Pomona | $7,972,028 | $1,253,509 | $25,603,300 | $0 | $34,828,837 |
| | Sacramento | $7,705,585 | $1,222,500 | $5,308,000 | $0 | $14,236,085 |
| | San Francisco | $7,499,219 | $5,819,479 | $1,020,001 | $0 | $14,338,699 |
| | Sonoma | $6,564,027 | $2,580,000 | $1,887,250 | $6,330 | $11,037,607 |
| | | **$53,850,829** | **$22,518,254** | **$45,152,922** | **$6,330** | **$121,528,335** |
| 3 | Fresno | $11,049,459 | $51,491,600 | $3,539,350 | $583,078 | $66,663,487 |
| | Long Beach | $10,473,326 | $4,904,901 | $13,164,930 | $0 | $28,543,157 |
| | San Diego | $80,555,366 | $9,495,641 | $6,686,536 | $15,000 | $96,752,543 |
| | San Jose | $18,043,843 | $3,464,332 | $9,865,000 | $0 | $31,373,175 |
| | San Luis Obispo | $16,887,169 | $9,181,425 | $23,100,000 | $0 | $49,168,594 |
| | | **$137,009,163** | **$78,537,899** | **$56,355,816** | **$598,078** | **$272,500,956** |
| | Chancellor's Office | $4,248,419 | $8,238,650 | $0 | $0 | $12,487,069 |
| **Grand Total** | | **$226,328,864** | **$119,986,340** | **$108,912,153** | **$2,044,276** | **$457,271,633** |

Note 1: Group I campuses generally have less than 5,000 individual donors, less than 10 full-time professional fundraisers, and less than $25 million in endowment market value. Group II campuses generally have between 5,000 and 10,000 individual donors, between 10 and 20 full-time professional fundraisers, and between $25 million and $50 million in endowment market value. Group III campuses generally have over 10,000 individual donors, over 20 full-time professional fundraisers, and over $50 million in endowment market value.

| Peer Group | Campus | *Individuals* | | | *Organizations* | | | Gift Receipts Total | | Total Number Individual Donors |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Alumni | Parents | Other Individuals | Foundations | Corporations | Other Organizations | | | |
| 1 | Bakersfield | $226,707 | $1,215 | $939,259 | $1,037,398 | $3,178,908 | $314,840 | $5,698,327 | | 706 |
| | Channel Islands | $21,967 | $16,288 | $403,749 | $399,887 | $873,778 | $50,662 | $1,766,331 | | 1,070 |
| | Dominguez Hills | $100,650 | $2,135 | $170,899 | $497,235 | $650,060 | $113,814 | $1,534,793 | | 1,478 |
| | East Bay | $365,379 | $9,785 | $604,314 | $673,836 | $1,643,685 | $134,060 | $3,431,059 | | 1,281 |
| | Humboldt | $1,371,471 | $133,662 | $1,617,707 | $2,026,754 | $1,708,179 | $794,865 | $7,652,638 | | 7,563 |
| | Los Angeles | $1,625,665 | $5,950 | $2,255,108 | $559,108 | $1,328,453 | $246,247 | $6,020,531 | | 3,072 |
| | Maritime Academy | $116,819 | $17,437 | $1,835,812 | $40,295 | $205,628 | $209,947 | $2,425,938 | | 314 |
| | Monterey Bay | $40,416 | $31,956 | $1,524,030 | $848,290 | $387,302 | $662,041 | $3,494,035 | | 6,257 |
| | San Bernardino | $232,702 | $32,334 | $1,115,143 | $1,182,373 | $1,478,078 | $224,893 | $4,265,523 | | 2,801 |
| | San Marcos | $64,361 | $33,951 | $696,561 | $1,780,464 | $750,724 | $359,148 | $3,685,210 | | 1,308 |
| | Stanislaus | $105,155 | $1,725 | $377,766 | $24,597 | $726,967 | $75,984 | $1,312,194 | | 751 |
| | | **$4,271,292** | **$286,438** | **$11,540,348** | **$9,070,237** | **$12,931,762** | **$3,186,501** | **$41,286,579** | | **26,601** |
| 2 | Chico | $1,739,411 | $382,840 | $1,003,481 | $437,373 | $3,625,717 | $197,041 | $7,385,863 | | 11,500 |
| | Fullerton | $1,426,854 | $269,522 | $1,088,586 | $3,896,912 | $3,001,852 | $433,292 | $10,117,018 | | 7,959 |
| | Northridge | $2,044,613 | $133,624 | $1,490,489 | $5,802,252 | $2,572,753 | $1,225,493 | $13,269,224 | | 8,375 |
| | Pomona | $2,095,579 | $70,690 | $3,667,493 | $10,195,226 | $1,766,057 | $2,300,480 | $20,095,525 | | 5,091 |
| | Sacramento | $1,228,669 | $11,134 | $6,373,524 | $880,480 | $1,025,672 | $256,953 | $9,776,432 | | 36,661 |
| | San Francisco | $2,498,308 | $82,229 | $2,094,699 | $2,886,747 | $2,841,954 | $954,939 | $11,358,876 | | 6,936 |
| | Sonoma | $261,024 | $27,647 | $3,981,119 | $1,198,365 | $1,691,122 | $295,135 | $7,454,412 | | 1,686 |
| | | **$11,294,458** | **$977,686** | **$19,699,391** | **$25,297,355** | **$16,525,127** | **$5,663,333** | **$79,457,350** | | **78,208** |
| 3 | Fresno | $6,264,199 | $62,596 | $3,154,869 | $3,292,264 | $4,341,660 | $73,772 | $17,189,360 | | 9,347 |
| | Long Beach | $3,210,192 | $464,448 | $4,307,218 | $2,429,149 | $3,377,239 | $845,614 | $14,633,860 | | 21,900 |
| | San Diego | $14,167,107 | $591,801 | $43,175,456 | $20,532,987 | $5,804,417 | $4,275,830 | $88,547,598 | | 64,393 |
| | San Jose | $17,542,860 | $58,611 | $4,421,270 | $4,709,097 | $3,401,350 | $92,230 | $30,225,418 | | 8,702 |
| | San Luis Obispo | $4,861,023 | $1,305,638 | $2,810,065 | $1,661,229 | $6,416,289 | $2,474,687 | $19,528,931 | | 12,091 |
| | | **$46,045,381** | **$2,483,094** | **$57,868,878** | **$32,624,726** | **$23,340,955** | **$7,762,133** | **$170,125,167** | | **116,433** |
| | Chancellor's Office | $0 | $0 | $220,273 | $4,124,166 | $435,898 | $28,082 | $4,808,419 | | 114 |
| **Grand Total** | | **$61,611,131** | **$3,747,218** | **$89,328,890** | **$71,116,484** | **$53,233,742** | **$16,640,049** | **$295,677,515** | | **221,356** |

Note 1: Number of Individual Donors includes alumni, parents, faculty, staff, students, and friends of the University.

| Peer Group | Campus | *Current Programs* | | *Capital Purposes* | | | | *Deferred Gifts* | Gift Receipts Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Campus Improvements | Endowment | | | | |
| | | Unrestricted | Restricted | Property, Buildings and Equipment | Unrestricted | Restricted | Loan Funds | | |
| 1 | Bakersfield | $71,019 | $3,964,568 | $1,125,109 | $0 | $537,631 | $0 | $0 | $5,698,327 |
| | Channel Islands | $444,583 | $1,237,148 | $4,500 | $0 | $80,600 | $0 | $0 | $1,766,331 |
| | Dominguez Hills | $100,612 | $1,071,491 | $0 | $0 | $362,690 | $0 | $0 | $1,534,793 |
| | East Bay | $54,752 | $2,803,408 | $0 | $0 | $572,899 | $0 | $0 | $3,431,059 |
| | Humboldt | $354,263 | $6,084,689 | $8,887 | $0 | $686,107 | $0 | $518,692 | $7,652,638 |
| | Los Angeles | $354,692 | $2,016,918 | $202,182 | $0 | $3,446,739 | $0 | $0 | $6,020,531 |
| | Maritime Academy | $1,349,675 | $453,986 | $0 | $0 | $622,277 | $0 | $0 | $2,425,938 |
| | Monterey Bay | $66,038 | $2,925,205 | $3,657 | $0 | $188,711 | $0 | $310,424 | $3,494,035 |
| | San Bernardino | $25,716 | $2,842,288 | $821,991 | $0 | $575,528 | $0 | $0 | $4,265,523 |
| | San Marcos | $117,802 | $2,947,798 | $434,414 | $0 | $185,196 | $0 | $0 | $3,685,210 |
| | Stanislaus | $2,860 | $1,263,215 | $0 | $0 | $46,119 | $0 | $0 | $1,312,194 |
| | | **$2,942,012** | **$27,610,714** | **$2,600,740** | **$0** | **$7,304,497** | **$0** | **$829,116** | **$41,286,579** |
| 2 | Chico | $280,745 | $3,862,006 | $50,000 | $5,095 | $2,938,017 | $0 | $250,000 | $7,385,863 |
| | Fullerton | $136,711 | $6,250,904 | $176,980 | $0 | $3,476,358 | $0 | $76,065 | $10,117,018 |
| | Northridge | $127,459 | $7,837,174 | $484,518 | $0 | $4,820,073 | $0 | $0 | $13,269,224 |
| | Pomona | $3,954,350 | $4,241,793 | $3,329,883 | $0 | $8,569,499 | $0 | $0 | $20,095,525 |
| | Sacramento | $146,511 | $7,009,876 | $560,680 | $0 | $2,059,365 | $0 | $0 | $9,776,432 |
| | San Francisco | $383,116 | $5,907,092 | $941,430 | $1,216,991 | $2,885,247 | $0 | $25,000 | $11,358,876 |
| | Sonoma | $216,386 | $4,264,900 | $2,363,502 | $0 | $509,624 | $0 | $100,000 | $7,454,412 |
| | | **$5,245,278** | **$39,373,745** | **$7,906,993** | **$1,222,086** | **$25,258,183** | **$0** | **$451,065** | **$79,457,350** |
| 3 | Fresno | $75,625 | $10,558,259 | $1,054,656 | $65,000 | $5,435,820 | $0 | $0 | $17,189,360 |
| | Long Beach | $763,785 | $10,297,100 | $1,095,142 | $0 | $1,627,833 | $0 | $850,000 | $14,633,860 |
| | San Diego | $39,860 | $44,574,933 | $4,959,529 | $0 | $7,140,506 | $0 | $31,832,770 | $88,547,598 |
| | San Jose | $432,057 | $17,368,706 | $23,665 | $0 | $3,146,855 | $0 | $9,254,135 | $30,225,418 |
| | San Luis Obispo | $485,826 | $11,762,733 | $2,103,708 | $0 | $4,675,648 | $0 | $501,016 | $19,528,931 |
| | | **$1,797,153** | **$94,561,731** | **$9,236,700** | **$65,000** | **$22,026,662** | **$0** | **$42,437,921** | **$170,125,167** |
| | Chancellor's Office | $130,282 | $4,520,122 | $0 | $0 | $158,015 | $0 | $0 | $4,808,419 |
| **Grand Total** | | **$10,114,725** | **$166,066,312** | **$19,744,433** | **$1,287,086** | **$54,747,357** | **$0** | **$43,718,102** | **$295,677,515** |

| Category | | 2011/2012 | 2012/2013 | 2013/2014 |
|---|---|---|---|---|
| ***Source of Support*** | | | | |
| **Individuals** | Alumni | $40,186,263 | $56,541,930 | $61,611,131 |
| | Parents | $3,875,175 | $3,672,280 | $3,747,218 |
| | Other Individuals | $63,127,699 | $75,576,642 | $89,328,890 |
| | **Individuals Total** | $107,189,137 | $135,790,852 | $154,687,240 |
| **Organizations** | Foundations | $69,740,116 | $79,694,411 | $71,116,484 |
| | Corporations | $51,687,437 | $51,313,933 | $53,233,742 |
| | Other Organizations | $11,561,338 | $16,133,305 | $16,640,049 |
| | **Organizations Total** | $132,988,891 | $147,141,649 | $140,990,275 |
| **Source of Support Total** | | **$240,178,028** | **$282,932,501** | **$295,677,515** |
| ***Gift Purposes*** | | | | |
| **Current Operations** | Unrestricted | $7,691,216 | $11,411,369 | $10,114,725 |
| | Restricted | $143,697,732 | $173,783,848 | $166,066,312 |
| | **Current Operations Total** | $151,388,947 | $185,195,218 | $176,181,037 |
| **Capital Purposes** | Property, Buildings and Equipment | $20,833,405 | $12,927,247 | $19,744,433 |
| | Endowment: Unrestricted | $111,580 | $157,284 | $1,287,086 |
| | Endowment: Restricted | $45,469,518 | $61,988,676 | $54,747,357 |
| | Loan Funds | $100 | $11,080 | $0 |
| | **Capital Purposes Total** | $66,414,603 | $75,084,287 | $75,778,876 |
| | Deferred Gifts | $22,374,477 | $22,652,997 | $43,718,102 |
| **Gift Purposes Total** | | **$240,178,028** | **$282,932,501** | **$295,677,515** |

| Peer Group | Campus | 2011/2012 Market Value | 2012/2013 Market Value | 2013/2014 Market Value | 2012/2013 to 2013/2014 Comparison Amount | 2012/2013 to 2013/2014 Comparison Percentage | 2011/2012 Investment Return Rate | 2012/2013 Investment Return Rate | 2013/2014 Investment Return Rate | Three Year Average | 2013/2014 Gifts to Endowment | 2013/2014 Endowment Distribution |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Bakersfield | $17,961,094 | $20,178,522 | $23,498,108 | $3,319,586 | 16.45% | 0.00% | 13.43% | 15.44% | 9.62% | $537,631 | $872,025 |
| | Channel Islands | $9,226,137 | $11,972,377 | $13,341,289 | $1,368,912 | 11.43% | -3.90% | 12.30% | 17.20% | 8.53% | $80,600 | $211,786 |
| | Dominguez Hills | $9,633,555 | $11,159,758 | $11,843,647 | $683,889 | 6.13% | 2.58% | 14.00% | 13.93% | 10.17% | $362,690 | $594,083 |
| | East Bay | $10,368,835 | $13,448,690 | $15,800,824 | $2,352,134 | 17.49% | -1.94% | 10.50% | 17.21% | 8.59% | $572,899 | $442,763 |
| | Humboldt | $22,269,786 | $24,426,936 | $26,166,024 | $1,739,088 | 7.12% | 0.10% | 10.41% | 15.52% | 8.68% | $686,107 | $830,898 |
| | Los Angeles | $18,559,176 | $21,148,375 | $25,863,588 | $4,715,213 | 22.30% | -3.60% | 9.60% | 15.10% | 7.03% | $3,446,739 | $769,701 |
| | Maritime Academy | $3,720,281 | $5,408,542 | $6,729,859 | $1,321,317 | 24.43% | -2.90% | 6.24% | 15.34% | 6.23% | $622,277 | $149,292 |
| | Monterey Bay | $14,019,682 | $15,954,357 | $18,325,078 | $2,370,721 | 14.86% | -1.30% | 11.70% | 17.70% | 9.37% | $188,711 | $650,150 |
| | San Bernardino | $19,170,823 | $21,312,720 | $24,457,752 | $3,145,032 | 14.76% | -3.40% | 11.40% | 15.80% | 7.93% | $575,528 | $707,179 |
| | San Marcos | $17,262,634 | $20,527,619 | $23,296,164 | $2,768,545 | 13.49% | -3.00% | 12.90% | 18.60% | 9.50% | $185,196 | $639,874 |
| | Stanislaus | $9,232,436 | $10,731,223 | $11,953,585 | $1,222,362 | 11.39% | -1.92% | 8.06% | 12.48% | 6.21% | $46,119 | $294,380 |
| | | **$151,424,439** | **$176,269,119** | **$201,275,918** | **$25,006,799** | **14.19%** | **-1.75%** | **10.96%** | **15.85%** | **8.35%** | **$7,304,497** | **$6,162,131** |
| 2 | Chico | $42,174,342 | $48,498,024 | $52,562,821 | $4,064,797 | 8.38% | -0.80% | 11.50% | 14.00% | 8.23% | $2,943,112 | $1,531,275 |
| | Fullerton | $34,276,674 | $42,547,517 | $50,112,038 | $7,564,521 | 17.78% | -2.46% | 8.95% | 12.13% | 6.21% | $3,476,358 | $1,167,884 |
| | Northridge | $63,639,683 | $72,448,632 | $77,506,181 | $5,057,549 | 6.98% | -2.78% | 11.40% | 15.50% | 8.04% | $4,820,073 | $2,787,253 |
| | Pomona | $55,579,506 | $69,290,107 | $86,650,443 | $17,360,336 | 25.05% | -1.38% | 10.95% | 15.80% | 8.46% | $8,569,499 | $3,387,912 |
| | Sacramento | $28,316,872 | $29,317,581 | $33,655,214 | $4,337,633 | 14.80% | -1.00% | 11.10% | 8.98% | 6.36% | $2,059,365 | $923,995 |
| | San Francisco | $51,203,719 | $55,209,507 | $65,384,812 | $10,175,305 | 18.43% | 2.17% | 10.86% | 13.34% | 8.79% | $4,102,238 | $1,689,353 |
| | Sonoma | $35,018,336 | $37,069,743 | $43,092,301 | $6,022,558 | 16.25% | -4.00% | 9.00% | 12.70% | 5.90% | $509,624 | $1,028,224 |
| | | **$310,209,132** | **$354,381,111** | **$408,963,810** | **$54,582,699** | **15.40%** | **-1.46%** | **10.54%** | **13.21%** | **7.43%** | **$26,480,269** | **$12,515,896** |
| 3 | Fresno | $129,447,827 | $142,839,125 | $162,100,727 | $19,261,602 | 13.48% | -0.63% | 9.90% | 13.06% | 7.44% | $5,500,820 | $6,721,682 |
| | Long Beach | $44,084,299 | $50,528,887 | $57,000,071 | $6,471,184 | 12.81% | -2.40% | 11.90% | 14.10% | 7.87% | $1,627,833 | $2,032,185 |
| | San Diego | $136,408,000 | $158,406,000 | $190,608,000 | $32,202,000 | 20.33% | -1.20% | 11.92% | 17.35% | 9.36% | $7,140,506 | $5,071,848 |
| | San Jose | $74,813,247 | $99,869,022 | $119,265,488 | $19,396,466 | 19.42% | -1.23% | 11.46% | 15.80% | 8.68% | $3,146,855 | $3,671,822 |
| | San Luis Obispo | $168,371,557 | $184,048,075 | $207,779,403 | $23,731,328 | 12.89% | -0.20% | 10.90% | 15.50% | 8.73% | $4,675,648 | $7,279,645 |
| | | **$553,124,930** | **$635,691,109** | **$736,753,689** | **$101,062,580** | **15.90%** | **-1.13%** | **11.22%** | **15.16%** | **8.42%** | **$22,091,662** | **$24,777,182** |
| | Chancellor's Office | $10,933,190 | $14,361,030 | $19,539,352 | $5,178,322 | 36.06% | -0.95% | 10.55% | 14.62% | 8.07% | $158,015 | $361,853 |
| **Grand Total** | | **$1,025,691,691** | **$1,180,702,369** | **$1,366,532,769** | **$185,830,400** | **15.74%** | **-1.51%** | **10.87%** | **14.88%** | **8.08%** | **$56,034,443** | **$43,817,062** |

Note 1: Investment returns are reported as net of investment fees.

Note 2: Fullerton revised their 2011-2012 investment return rate in 2012-2013.

Note 3: Dominguez Hills revised their 2011-2012 and 2012-2013 endowment data in 2013-2014.

| Peer Group | Campus | Number of Addressable Alumni | Alumni Solicited | Alumni Donors | Total Alumni Contributions | Alumni Participation Rate |
|---|---|---|---|---|---|---|
| 1 | Bakersfield | 43,021 | 685 | 153 | $226,707 | 0.36% |
| | Channel Islands | 9,020 | 8,977 | 443 | $21,967 | 4.91% |
| | Dominguez Hills | 86,749 | 36,875 | 1,142 | $100,650 | 1.32% |
| | East Bay | 115,290 | 91,062 | 777 | $365,379 | 0.67% |
| | Humboldt | 50,526 | 31,096 | 3,585 | $1,371,471 | 7.10% |
| | Los Angeles | 145,087 | 58,716 | 2,440 | $1,625,665 | 1.68% |
| | Maritime Academy | 4,168 | 3,110 | 166 | $116,819 | 3.98% |
| | Monterey Bay | 9,851 | 9,364 | 241 | $40,416 | 2.45% |
| | San Bernardino | 63,968 | 33,045 | 1,255 | $232,702 | 1.96% |
| | San Marcos | 33,258 | 17,790 | 394 | $64,361 | 1.18% |
| | Stanislaus | 53,203 | 240 | 176 | $105,155 | 0.33% |
| | | **614,141** | **290,960** | **10,772** | **$4,271,292** | **1.75%** |
| 2 | Chico | 143,549 | 36,562 | 6,470 | $1,739,411 | 4.51% |
| | Fullerton | 216,246 | 190,112 | 4,450 | $1,426,854 | 2.06% |
| | Northridge | 296,315 | 238,541 | 4,809 | $2,044,613 | 1.62% |
| | Pomona | 120,954 | 50,410 | 3,495 | $2,095,579 | 2.89% |
| | Sacramento | 210,048 | 140,332 | 3,176 | $1,228,669 | 1.51% |
| | San Francisco | 279,575 | 31,559 | 4,207 | $2,498,308 | 1.50% |
| | Sonoma | 59,546 | 59,500 | 340 | $261,024 | 0.57% |
| | | **1,326,233** | **747,016** | **26,947** | **$11,294,458** | **2.03%** |
| 3 | Fresno | 188,685 | 156,557 | 4,964 | $6,264,199 | 2.63% |
| | Long Beach | 271,164 | 145,226 | 8,201 | $3,210,192 | 3.02% |
| | San Diego | 292,458 | 142,249 | 11,270 | $14,167,107 | 3.85% |
| | San Jose | 212,968 | 180,062 | 4,812 | $17,542,860 | 2.26% |
| | San Luis Obispo | 161,835 | 70,942 | 6,525 | $4,861,023 | 4.03% |
| | | **1,127,110** | **695,036** | **35,772** | **$46,045,381** | **3.17%** |
| **Grand Total** | | **3,067,484** | **1,733,012** | **73,491** | **$61,611,131** | **2.40%** |

Note 1: Alumni Participation Rate equals Alumni Donors divided by Number of Addressable Alumni.

## COMMITTEE ON INSTITUTIONAL ADVANCEMENT

**Naming of a Facility−San Francisco State University**

**Presentation by:**

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

**Summary**

This item will consider naming the Student Wellness Center in honor of distinguished alumnus Manny Mashouf.

This proposal, submitted by San Francisco State University, meets the criteria and other conditions specified in the Board of Trustees Policy on Naming California State University Facilities including approval by the system review panel and the campus academic senate.

**Background**

The request substitutes recognition previously approved by the CSU Board of Trustees in 2008 naming the Mashouf Creative Arts Center (RIA 07-08-11). In 2005, Mr. Mashouf and his family contributed $10 million for a proposed performing arts center. The center was to be funded by a combination of General Obligation bonds to be issued by the State of California coupled with the Mashouf family's leadership gift. The vision for that project included replacement facilities for Creative Arts, Broadcast and Electronic Communication Arts (BECA) and a new performing arts theater. However, as a result of the Great Recession, the state postponed authorizing any additional bonds, and the capital support that was anticipated was deferred.

In 2012, President Wong informed Mr. Mashouf that the initial plans for a performing arts facility had been deferred, and Mr. Mashouf expressed that he would be open to redirecting his gift to support another capital project on campus. The Associated Students Inc. endorsed naming the new, $86 million recreation and wellness center as the Mashouf Wellness Center.

Manny Mashouf graduated from San Francisco State with a degree in political science in 1966. He went from a small clothing store owner on Polk Street in San Francisco to becoming founder and chairman of bebe stores inc., one of the largest and most recognizable brands in fashion with hundreds of stores in the United States, Canada and Puerto Rico. He received an honorary doctorate degree in humane letters from San Francisco State in 2008.

**Recommended Action**

The following resolution is recommended for approval:

> **RESOLVED,** by the Board of Trustees of the California State University, that RIA 07-08-11 be rescinded, and that the recreation and wellness center at San Francisco State University be named the Mashouf Wellness Center.

# AGENDA

## COMMITTEE ON GOVERNMENTAL RELATIONS

**Meeting:** **1:45 p.m., Tuesday, January 27, 2015**
**Glenn S. Dumke Auditorium**

Douglas Faigin, Chair
Steven M. Glazer, Vice Chair
Talar Alexanian
Adam Day
Debra S. Farar
Margaret Fortune
Lupe C. Garcia
Lillian Kimbell
J. Lawrence Norton
Steven G. Stepanek

**Consent Items**

Approval of Minutes of Meeting of November 12, 2014

**Discussion Items**

1. Federal Agenda for 2015, *Action*
2. Statement of State Legislative Principles for 2015-2016, *Action*
3. Sponsored State Legislative Program for 2015, *Action*

**MINUTES OF THE MEETING OF**
**COMMITTEE ON GOVERNMENTAL RELATIONS**

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

**November 12, 2014**

**Members Present**
Douglas Faigin, Chair
Talar Alexanian
Adam Day
Debra S. Farar
Margaret Fortune
Lupe C. Garcia
Steven M. Glazer
Lillian Kimbell
Lou Monville, Chair of the Board
J. Lawrence Norton
Steven G. Stepanek
Timothy P. White, Chancellor

Trustee Faigin called the meeting to order.

**Approval of Minutes**

The minutes of September 9, 2014, were approved as submitted.

**Legislative Update**

Mr. Garrett P. Ashley, vice chancellor for university relations and advancement, and Ms. Karen Y. Zamarripa, assistant vice chancellor for advocacy and state relations, presented this item.

Mr. Ashley reported that the 2013-2014 legislative session officially concluded on September 30 with the governor taking final action on approximately 900 bills. The California State University took a position on thirteen top priorities and was successful in all but one bill. Mr. Ashley recognized the tremendous effort of the CSU advocates in Sacramento in partnership with students, faculty, staff, legislative champions and external partners. The CSU will build on these efforts to advance the budget request and legislative agenda in the upcoming session.

Ms. Zamarripa provided an overview of the final outcomes from the 2013-14 legislative session, a review of the recent election and opportunities for the upcoming year:

- Proposition 1, the $7 billion water bond, provides $1.7 billion for water quality. This is an opportunity for the CSU to assist the state with the expertise of faculty and provide students with applied learning opportunities.
- Proposition 2, the state budget reserve, dedicates between $800 million and $2 billion toward debt payments. The CSU is exploring the possibility that capital outlay investments qualify for one-time revenues for debt payments.
- There are 37 new members in the legislature.
- There are approximately 40 CSU alumni serving in the legislature.
- The Democratic and Republican leaders in the Assembly and Senate have a connection to the CSU and/or understand the importance of higher education.
- The CSU has several opportunities to assist the state with key issues in infrastructure, including water and high-speed rail, and K-12 improvements, such as the implementation of Common Core Standards.
- The CSU is committed to student access and completion; is a primary provider of the state's workforce; serves the state's population and rich diversity; and will continue to be a partner with the governor, legislators, state and local communities to serve Californians.

# COMMITTEE ON GOVERNMENTAL RELATIONS

## Federal Agenda for 2015

## Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

James M. Gelb
Assistant Vice Chancellor
Federal Relations

## Summary

This item contains the proposed Federal Agenda for 2015.

## Background

Last January, the Board of Trustees adopted the Federal Agenda for 2014 , a legislative program for the system that included policy and fiscal priorities for the second session of the 113th Congress. California State University priorities encompassed a broad range of initiatives geared toward: ensuring access through aid to students; preparing students for college; fostering success for California's diverse population; training students for tomorrow's workforce; solving societal problems through applied research; and promoting state and private support for public universities. Over the past year, the CSU's Office of Federal Relations (OFR) and system leaders worked to advance those priorities. While the 2014 congressional session was noted for a lack of legislative output, the CSU had success in key areas, and made important progress advocating CSU federal priorities to many members and staff in the California congressional delegation.

With regard to fiscal year 2015, which began on October 1, 2014, the CSU fought in an austere environment to defend priority programs and promote targeted investments in higher education. The CSU advocated robust funding for priority programs housed in the Education Department, including aid programs like the Pell Grant, the Supplemental Educational Opportunity Grant (SEOG) and Work-Study. Among pipeline programs, CSU promoted Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) and TRIO programs (e.g., Upward Bound). Aid for institutional development programs geared toward minority-serving institutions was another high priority.

The system also supported fiscal year 2015 resources for a number of applied research and workforce training priorities outside of the Education Department. For example, in the US Department of Agriculture (USDA) spending bill, CSU sought funding for competitive capacity building grants for non land-grant colleges of agriculture (NLGCA) and the USDA's Hispanic-Serving Institutions Education Grants Program, which has benefited many CSU students over the years. In the National Science Foundation (NSF) budget, the CSU supported several programs in science, technology, engineering and mathematics, including the Robert Noyce Scholarship Program and the Louis Stokes Alliance for Minority Participation (LSAMP).

Partisan differences on how to proceed in fiscal year 2015 led to delays in passing annual appropriations bills well beyond October 1. Congress reached a compromise spending agreement in December 2014, in which CSU priorities fared relatively well. For example, beginning July 1, 2015, the maximum Pell Grant will increase by $120, to $5,850, which will provide significant additional aid to tens of thousands of CSU students with need. Federal Work-Study, TRIO programs and institutional aid for minority-serving institutions will see modest increases. The Education Department's Centers of Excellence for Veteran Student Success grant program, a longtime CSU priority, received funding for the first time in years, while USDA and NSF programs referenced above received continued funding.

The CSU also worked productively with House and Senate offices to advance language in the Farm Bill, reauthorized for five years in February, better enabling CSU institutions to compete for funds in key USDA programs. In addition, the CSU advocated successfully for an extension of the tax exemption for distributions from individual retirement accounts for charitable purposes, which helps campuses garner private donations.

Also during 2014, the Congress took important preliminary steps toward updating the Higher Education Act (HEA), which governs a vast array of student aid, pipeline, capacity building and other priority programs. HEA programs like the Pell Grant, student loans and programs that benefit minority serving institutions are all coming under renewed scrutiny. The House Committee on Education and the Workforce and the Senate's Health, Education, Labor and Pensions (HELP) committee both held informational hearings on a wide range of HEA subjects in 2014. The CSU submitted extensive comments to both committees with suggestions to improve the HEA, such as making Pell grants available year-round, revising the distribution formula for campus-based aid funding and broadening the ability of multi-diverse campuses to compete for grants to minority-serving institutions. In addition, Chancellor White met with House and Senate committee leaders to discuss the system's HEA priorities.

Chancellor White and campus leadership represented the CSU at two national summits hosted by President Obama and the First Lady. The White House convened a group of higher education, philanthropic, private sector and government leaders to focus on efforts to ensure our nation leads the world in college degree attainment, with an emphasis on bolstering college degree

completion among low-income and underrepresented students. The CSU was showcased at the events because of its success in graduating high numbers of students who have been historically underrepresented in higher education, and its commitment to improving on that record.

**Development of Recommendations**

In September 2014, Chancellor White sent a memo to all 23 CSU presidents and senior system leaders soliciting recommendations and outlining criteria for the system's Federal Agenda for 2015. The solicitation emphasized that the federal agenda must be consistent with the CSU system's core objectives that contribute to system goals of preserving access, providing quality instruction and preparing students for the workforce.

This agenda is based on recent priorities, input received from campuses, review by the Council of Presidents and Chancellor's Office executives, and the CSU Office of Federal Relations' assessment of the current political and fiscal landscape in Washington. The core principles outlined below (in bold lettering) are designed to provide a broad umbrella under which the CSU can react to the wide range of policy ideas that typically surface throughout a year; also included are bulleted illustrations of proactive priorities that are ripe for advocacy in 2015.

Overall, the agenda hews closely to the system's 2014 approach. The CSU can and should continue to promote federal investments in its students and institutions as efficient, productive targets of resources that will strengthen the American economy. Given significant scrutiny due to cost and a generally austere fiscal environment, the CSU should continue to place Pell at the top of its priority list. A new category highlights the federal role in enhancing campus infrastructure, health and safety. While the CSU will frequently be called upon to respond to proposals made by others, such as members of Congress and the U.S. Department of Education, the federal agenda identifies priority areas that should be the subjects of proactive pursuit.

**Federal Agenda for 2015**

The California State University consistently provides an outstanding return on federal investments in its students, institutions, and research. With 23 campuses and nearly 447,000 students, the CSU is the largest bachelor and graduate degree university in the world, providing access – and success – for unprecedented numbers of low-income students. Each year, 100,000 new CSU graduates enter the workforce across all economic sectors.

***Improve College Access through Aid to Students****:* The CSU remains one of the nation's best bargains. Significant state and institutional grant aid helps our neediest students. Federal financial aid programs remain critical to CSU students from low-income families, including over 180,000 who rely upon need-based Pell Grants. More than 40,000 Pell recipients receive CSU bachelor's degrees each year.

- Support cost of living increases in the maximum Pell grant, and retain any program surplus for future years; make grants available to students for year-round study
- Invest in Supplemental Education Opportunity Grant (SEOG) and Work-Study with focus on need
- Prioritize federal resources for institutions serving the greatest number of students with need

***Prepare Students for College**:* The CSU is on the cutting edge of partnering with P-12 to improve student readiness and to measure the performance of CSU-trained teachers. The federal government is a vital partner.

- Provide robust funding for effective pipeline programs like GEAR UP and TRIO and expand pre-K investments
- Maintain strong federal partnership with colleges and universities to transform the preparation of America's teachers and school leaders

***Foster Degree Completion for California's Diverse Population**:* The CSU provides more than half of all undergraduate degrees granted to California's Latino, African American and Native American students, and is a leader in transitioning veterans to the civilian workforce. Federal capacity building programs and targeted grants help bridge the completion gap.

- Maintain strong support for Hispanic-serving and other minority-serving institutions
- Support the needs of America's veterans on campus and smooth their transition to the civilian workforce

***Educate Students for Tomorrow's Workforce**:* 100,000 annual graduates drive California's economy in the information technology, life sciences, agriculture, business, education, public administration, entertainment and multimedia industries.

- Support science, technology, engineering and mathematics (STEM) fields, including funding for NSF's Louis Stokes Alliances for Minority Participation and Robert Noyce Teacher Scholarship programs
- Invest in USDA Hispanic-serving Institutions National Program

***Solve Societal Problems through Applied Research**:* In laboratories, at field sites and through programs at the CSU, students, faculty and collaborating scientists advance California's capacity to address key issues of significance to our state and nation.

- Maximize opportunities for comprehensive universities to compete for federal resources, including in STEM programs included in the America COMPETES Act

- Maintain strong NSF, NIH, Department of Energy and NIST funding
- Invest in Hispanic-serving agricultural colleges and universities (HSACU) and non-land-grant colleges of agriculture (NLGCA) programs

***Enhance Campus Infrastructure, Health and Safety:*** State-of-the-art facilities and innovative programs help make campuses safe and secure for all.

- Fund Justice Department programs that provide grants to assist campuses with addressing sexual violence
- Support investments in US Economic Development Administration infrastructure programs that provide campuses opportunities to partner with their communities, improve facilities, and promote strategic economic growth

***Promote State and Private Support for Public Universities****:* State funding for public institutions of higher education is critical to keeping tuition affordable. Federal incentives can help boost state and private support for and partnerships with public universities.

- Encourage state investment in public higher education through funding incentives and, wherever applicable, state "maintenance of effort" provisions
- Advocate policies that promote philanthropy and a positive climate for university advancement

The CSU federal agenda process recognizes that priorities may evolve over time. The OFR will continue to work with the campuses and system leaders to refine and develop proposals, and to assist all in working productively with their representatives in Congress and with federal agencies in the year ahead.

The following resolution is recommended for approval:

> **RESOLVED**, by the Board of Trustees of the California State University, that the Federal Agenda for 2015 be adopted.

# COMMITTEE ON GOVERNMENTAL RELATIONS

## Statement of State Legislative Principles for 2015-2016

**Presentation By**

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Karen Y. Zamarripa
Assistant Vice Chancellor
Advocacy and State Relations

**Summary**

This item contains the proposed Statement of State Legislative Principles for 2015-2016.

**Background**

At the beginning of every two-year legislative session, the Board of Trustees adopts a formal Statement of Legislative Principles for the California State University. The principles provide basic parameters to guide positions taken by the chancellor and system representatives on matters pending before the California legislature. The changes for the 2015-2016 principles intend to better reflect today's environment, including the ever-changing needs of the state and the system's goal of academic excellence for all qualified students.

**Statement of Legislative Principles**

As the state's greatest producer of bachelor's degrees, the California State University plays a critical role in arming future leaders with the skills and knowledge for them to thrive in the workforce, drive the economy and actively contribute to the quality of life in California. The CSU achieves these results by providing affordable, accessible and high-quality education, as outlined in the Master Plans for Higher Education. The system and its leaders, faculty and staff remain committed to this important work for the betterment of today and tomorrow.

The following constitute the core principles guiding recommendations on legislation:

1. Work with the legislature and governor to continue the California State University's oversight of academic affairs and matters relating to internal governance of the university.

    a. Continue efforts to enhance and expand flexibility on internal matters and decision making by the Board of Trustees.

    b. Preserve the integrity of the collective bargaining process.

    c. Preserve and enhance the California State University's ability to accomplish its mission.

2. Remain neutral on matters in which the state appropriately seeks to legislate the general public health and safety while not singling out the California State University uniquely.

3. Preserve the integrity of the California State University's budgetary process, and seek adequate funding to serve current and future students, support the work of faculty and staff, provide for ongoing operations, capital outlay and infrastructure needs, and to meet the workforce demands of the state.

    a. Provide that all funds must be appropriated to the Board of Trustees.

    b. Proposals for operational and academic programs, and capital outlay needs, must be approved and placed in priority order by the Board of Trustees.

    c. Provide the operational authority and flexibility, as well as the necessary tools, for the university to respond to the needs of students and the state.

4. Seek to influence the outcome of issues which, while not affecting the California State University alone, would have a disproportionate impact on the university's activities.

5. Seek to provide for representation of the California State University on appropriate boards, commissions, task forces, study groups, etc., that may have an impact on the system.

    a. Representatives to such bodies shall be appointed by the Board of Trustees or the Chancellor.

6. The chancellor is recognized as the spokesperson for positions on behalf of the California State University system. Whenever practical, positions to be taken on significant policy or legislative matters should be discussed with the chair of the Committee on Governmental Relations and the chair of the Board of Trustees.

Adoption of the following resolution is recommended:

**RESOLVED**, by the Board of Trustees of the California State University, that the Statement of Legislative Principles for 2015-2016 be adopted; and be it further

**RESOLVED**, that the chancellor is authorized to take positions on pending legislation on behalf of the California State University system; but prior to taking such positions on significant policy or legislative matters, the chancellor shall consult, when practical, with the chair of the Committee on Governmental Relations or the chair of the Board of Trustees; and be it further

**RESOLVED**, that the Chancellor shall keep the Board of Trustees regularly informed of the positions taken and of such other matters affecting governmental relations as deemed necessary and desirable.

# COMMITTEE ON GOVERNMENTAL RELATIONS

## Sponsored State Legislative Program for 2015

## Presentation By

Garrett P. Ashley
Vice Chancellor
University Relations and Advancement

Karen Y. Zamarripa
Assistant Vice Chancellor
Advocacy & State Relations

## Summary

This item contains the proposed Sponsored State Legislative Program for 2015.

## Background

Chancellor White requested proposals from California State University system and campus leaders for consideration by the Board of Trustees as sponsored bills for the 2015 legislative session. Proposals were analyzed by staff with consideration given to whether there was a clear need for each proposal, its programmatic and fiscal implications and overall relationship to system initiatives and priorities. Campus presidents and vice presidents as well as the chancellor's leadership team have reviewed all of these proposals and concur with the following recommendations.

## California State University and University of California Alumni Affinity Programs

This proposal seeks permanent authority for the CSU and the University of California (UC) to participate in affinity programs, which benefit the campuses and their alumni associations. The current statutory authority for affinity programs sunsets in January 2016. The existing statute was specifically created to protect the sharing of individual data with campus affinity partners.

Affinity partners provide a service to alumni at a unique value (e.g. a group rate discount on insurance) and in return the university, its auxiliaries or alumni associations receive royalty payments. These revenue streams are vital to funding alumni programming on campuses. The most common affinity partners offer insurance and credit cards.

This legislation was first enacted in 2006 as SB 569, authored by Senator Tom Torlakson and was reauthorized in 2010 as AB 1971, authored by Assembly Member Bonnie Lowenthal. The proposal would provide permanent authority for CSU and UC to offer such programs and services to alumni and support the university. Minor changes are also being sought to provide new ways to offer opt-out notices that better align with the way the university currently communicates with their alumni, deleting the annual reporting requirement and addressing some antiquated language that is no longer applicable to how institutions run these types of programs.

**Sonoma State Green Music Center Ad/Sponsorship Allowances**

This proposal would allow local wineries and beer manufacturers to purchase ad space, donate products for sale or provide sponsorship for events at the Sonoma State University Donald and Maureen Green Music Center. These potential business partners are currently prohibited from supporting the university in this manner by Alcohol Beverage Control (ABC) regulations. ABC has confirmed that such exemptions require statutory change but would be consistent with changes enacted for numerous other performance and sports venues across the state.

The Green Music Center consists of multiple performance venues, a music education wing, sprawling outdoor spaces and an on-site restaurant. The center offers programs such as lectures, classical music and art and entertainment – making it the premier cultural hub north of the San Francisco Bay Area. This proposal would allow the Green Music Center to fund new programming at the facility, while working with the local wine and beer community who have been very supportive of the Center and its mission.

**State Authorization Reciprocity Agreement**

Federal regulations require every campus that offers online programs to be authorized to do so in every state where enrolled students reside. The cost and administrative burden associated with multiple state authorizations and the fees charged by many states could have a devastating impact on online teaching and learning at the CSU. In response to the new federal regulations, accrediting agencies throughout the country have developed a collaborative, known as the State Authorization Reciprocity Agreement (SARA) to facilitate common standards and access for students and universities.

This is a system comprised of states and institutions who have volunteered to enter into a reciprocity agreement to collaboratively govern the regulation of higher education distance education programs. Participating states agree on a uniform set of national standards for state authorization that ensure institutions can enroll students from other states in distance education programs as long as they meet certain criteria. These criteria include consideration of institutional quality, consumer protection, and institutional financial responsibility. Currently eighteen states are participating in SARA and include Alaska, Arizona, Colorado, Idaho, Indiana,

Kansas, Louisiana, Missouri, Montana, Nebraska, North Dakota, Nevada, New Hampshire, Oregon, South Dakota, Virginia, Washington and West Virginia. By this time next year it is expected that over 30 states will have entered into SARA. Minnesota, which has some of the strictest regulations in the country, has recently submitted an application to join SARA.

After working with the Governor's office, legislative staff and the other higher education segments, it has been determined that we need statutory authorization for California to enter into SARA through the Western Interstate Commission for Higher Education (WICHE). This will allow all accredited colleges and universities in the state to continue offering online courses and programs to students here and throughout the country while also ensuring great access for our students to online programs and courses, reducing campus costs associated with state-by-state authorization and ongoing if not increasing revenues through extended education to support the university. Most importantly, it will ensure that the programs our students may take from other universities are of high quality.

**CSU Investment Authority**

This proposal would allow the CSU to increase its investment earnings on its funds by providing the system with the ability to invest in a broader range of investments. The goal is to provide the CSU with the same investment authority and flexibility that the UC has with its fund balances.

Currently, the CSU's authority to invest funds under its control is governed by the Education Code and requires the system to invest from a list of high-quality, low-risk fixed income securities that have historically generated lower returns compared to the returns of other potential investment opportunities.

In contrast, with its ability to invest in a broader range of investments, the UC has been able to earn significantly higher returns than the CSU over comparable periods. Potential higher earnings on risk-appropriate CSU investments could go far in helping the system address its numerous needs, including its deferred maintenance and critical infrastructure backlog of almost $2 billion.

The authority sought by CSU is consistent with the goal of giving the system greater autonomy and responsibility in making decisions on how best to utilize its limited resources and manage risks in meeting its educational mission. By enhancing the potential for higher investment returns on the same amount of investable assets, the CSU would have the ability to generate additional revenues to meet its needs, and reduce the amount that may be sought from the state or students. Once granted this expanded authority, it will be up to the Board of Trustees, chancellor and system leadership to manage future decisions and risks in our investment portfolio.

Adoption of the following resolution is recommended:

> **RESOLVED**, by the Board of Trustees of the California State University, that the Sponsored Legislative Program for 2015 be adopted.

# AGENDA

## COMMITTEE ON AUDIT

**Meeting:** **2:30 p.m., Tuesday, January 27, 2015**
**Glenn S. Dumke Auditorium**

Lupe C. Garcia, Chair
Adam Day, Vice Chair
Steven M. Glazer
Rebecca D. Eisen
Hugo N. Morales

**Consent Items**

Approval of Minutes of Meeting of November 12, 2014

**Discussion Items**

1. Assignment of Functions to Be Reviewed by the Office of Audit and Advisory Services for Calendar Year 2015, *Action*
2. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
3. Report of the Systemwide Audit in Accordance with Generally Accepted Accounting Principles Including the Report to Management, *Information*
4. Single Audit Reports of Federal Funds, *Information*

**MINUTES OF THE MEETING OF**
**COMMITTEE ON AUDIT**

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

**November 12, 2014**

**Members Present**

Lupe C. Garcia, Chair
Adam Day, Vice Chair
Rebecca D. Eisen
Steven M. Glazer
Lou Monville, Chair of the Board
Timothy P. White, Chancellor

Chair Garcia called the meeting to order.

**Approval of Minutes**

The minutes of the meeting of September 9, 2014, were approved as submitted.

**Status Report on Current and Follow-Up Internal Audit Assignments**

Mr. Larry Mandel, vice chancellor and chief audit officer, presented the Status Report on Current and Follow-up Internal Audit Assignments. He stated that there had been several updates to the status report, as displayed in green numerals, which indicate progress toward or completion of recommendations since the distribution of the agenda. He reported that while most of the recommendations are being completed timely, there are a few that are taking additional time, but noted that audit staff has been working with the campuses and the CSU Chancellor's Office to clear these items as soon as possible. He also reported that significant progress has been made toward the completion of the 2014 audit plan and added that all of the audits are expected to be completed by the January 2015 board meeting.

**Status Report on the Implementation Plan for the Quality Assurance Review**

Mr. Mandel provided a status report on the implementation plan for the recommendations for improvement contained in the Quality Assurance Review performed on the Office of Audit and Advisory Services. As also mentioned at the July board meeting, he stated that he concurred with all of the recommendations in the review. He then proceeded to highlight a few of the more significant ones. Recommendation for Enhancement #2 suggested that the current organizational structure of the division be reviewed to determine if a reporting relationship should be established between campus auditors and the Office of Audit and Advisory Services, as it was observed that it is very difficult to adequately understand, assess, and remediate individual

campus risks with the current centralized internal audit organization model. This is the pivotal recommendation around which most of the others revolve. Mr. Mandel stated that an alternative organizational structure was discussed with the campus presidents at the August and October Council of Presidents' meetings. In addition, he met individually with several campus presidents and their senior management, as well as the chancellor and other members of the executive management team. As a result, valuable input has been received and discussions are ongoing. He indicated that the search continues for the optimum organizational structure that will not only strengthen the effectiveness of the audit function but also provide increased assurance to the chancellor and Board of Trustees that significant risks to the system and campuses are sufficiently understood and assessed, and are receiving appropriate audit coverage.

Recommendation for Enhancement #3 suggested that a separate IT audit risk assessment be prepared as part of the annual risk assessment process. He reported that a separate system IT audit risk assessment has been developed and deployed, and the results will be summarized and evaluated for inclusion in the 2015 audit plan.

Recommendation for Enhancement #4 suggested that the current risk assessment and audit planning approach be reevaluated. He indicated that the implementation plan for this item is tied to the results of the review performed for Recommendation #2. He added that as long as the status quo prevails, we are only able to make incremental changes to the current format for obtaining input to ascertain the highest risks to the system. Other models may allow for campus-specific risk assessments. He stated that because discussions are ongoing regarding Recommendation #2, the status quo prevails for implementation of this recommendation. He reported that incremental changes have been made to the risk assessment model for 2015, and as noted above, a separate IT audit risk assessment has been developed and deployed.

Recommendation for Enhancement #5 suggested that the evaluation and communication of fraud risks should be reviewed on a systemwide basis. He stated that in order to determine the current fraud management climate and how best to incorporate an assessment of fraud risk into the existing annual risk assessment process, a fraud survey was developed and deployed to each campus. Survey results are currently being analyzed and summarized.

The meeting adjourned.

# COMMITTEE ON AUDIT

## Assignment of Functions to Be Reviewed by the Office of Audit and Advisory Services for Calendar Year 2015

**Presentation By**

Janice Mirza
Senior Director
Office of Audit and Advisory Services

**Summary**

At the first meeting of the new year, the Committee on Audit selects the audit assignments for the Office of Audit and Advisory Services. The following is an audit plan for calendar year 2015.

HIGH RISK AREAS

The Office of Audit and Advisory Services performed a risk assessment of the CSU in the last quarter of 2014. The results of that risk assessment indicated the following high risk areas to the system:

### Information Security

Proposed audit scope may include review of the systems and managerial/technical measures for ongoing evaluation of data/information collected; identifying confidential, private or sensitive information; authorizing access; securing information; detecting security breaches; and security incident reporting and response.

### Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act)

Proposed audit scope may include review of campus Clery Act policies and procedures to ensure compliance with CSU and federal requirements; review and testing of processes to compile required disclosures and statistics for the Annual Security Report (ASR); verification of the availability of educational programs for security awareness, and the prevention and reporting of crime; review and testing of ASR dissemination to required parties; review of campus good-faith efforts to comply with changes to the Clery Act imposed by the Violence Against Women Reauthorization Act (VAWA) for the 2014 ASR and progress in meeting the changes by the July 2015 deadline; and review of content and delivery of training.

**Scholarships**

Proposed audit scope may include review of campus and/or auxiliary activities pertaining to scholarships, including establishing student eligibility, awarding, and recordkeeping and protection of sensitive information; coordination between the financial aid department and awarding departments; and review of disbursement procedures for awarded scholarships.

**Admissions**

Proposed audit scope may include review of the evaluation of student records, including residency determination; processing admission applications, including use of supplemental admission criteria for impacted majors or campuses, transfer students, and redirection of eligible applicants; security of applicant data; application fee processing and granting of fee waivers; and compliance with state legislation and CSU requirements.

**Student Activities**

Proposed audit scope may include review of activities relating to social and co-curricular programs, recreational sports, student clubs and organizations; review of policies and procedures to ensure compliance with CSU and other agency requirements; review of campus administration and oversight of student activities; review and appropriate testing for compliance with charters, bylaws and/or other governing documents for selected student organizations, clubs and other programs; review and testing to ensure appropriate staffing of student programs by qualified individuals and volunteers, including student leaders; and assessment to determine that required policies regarding non-discrimination, alcohol and drugs, and hazing are monitored and enforced.

**Payment Card Industry Data Security Standards Compliance**

Proposed audit scope may include review of campus and auxiliary compliance with regulations specific to Payment Card Industry (PCI) Data Security Standards related to the security and protection of credit cards systems and data. The review would specifically include compliance with the new PCI 3.0 standard.

**Information Technology Procurement**

Proposed audit scope may include review of policies and practices related to information technology procurement. Specific goals will include determining whether administration and management of information technology procurement activities provide an effective internal control environment, adequate local policies and operational procedures, current written delegations, and observance of good business practices in compliance with CSU policy.

**Cloud Computing**

Proposed audit scope may include review of campus and/or auxiliary activities pertaining to cloud computing, including review of policies and procedures to ensure compliance with CSU and other agency requirements; review of campus administration and oversight including but not limited to service availability, data ownership and backup and recovery, establishing contractual relationships with third-party service providers, and if sensitive data is maintained by a third party, review of involvement of campus information security personnel in the decision process; documentation of campus expectations for handling and securing the data; contract language covering security expectations; and monitoring third-party performance.

Audits will be performed at those campuses where a greater degree of risk was perceived for each of these areas. This represents 289 staff weeks of audit effort, which is approximately 28 percent of the audit plan.

## HIGH PROFILE AREA

Audits are periodically performed of high profile areas in order to assure the board that appropriate policies and procedures are in place to mitigate risk to the system. This year we will address the following area:

**College Department Reviews**

Proposed audit scope may include review of college/department administrative and financial controls, such as handling of cash and cash equivalents, expenditure processing, contracting activities, acquisition and tagging of sensitive equipment, and use of trust funds; and review of faculty assigned time, release time and special payments.

The audit will be performed at those campuses where a greater degree of risk was perceived for this area. This represents 49 staff weeks of audit effort, which is approximately 4.8 percent of the audit plan.

## AUXILIARY ORGANIZATIONS

In order to provide assurance to the Board of Trustees that adequate oversight is being maintained over auxiliaries, the Office of Audit and Advisory Services administers an audit program covering internal compliance/internal controls. It is estimated that 31 auxiliary reviews will take place during calendar year 2015. This represents 267 staff weeks of audit effort, which is approximately 25.8 percent of the audit plan.

## ADVISORY SERVICES

The Office of Audit and Advisory Services will partner with management to identify solutions for business issues, offers opportunities to improve the efficiency and effectiveness of operating areas, and assists with special requests, while ensuring the consideration of related internal control issues. Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns. Two hundred sixteen staff weeks have been set aside for this purpose, representing approximately 20.9 percent of the audit plan.

## CONSTRUCTION

Areas under review include design budgets and costs; the bid process; invoice processing and change orders; project management, architectural, and engineering services; contractor compliance; cost verification of major equipment and construction components; the closeout process and liquidated damages; and overall project accounting and reporting. It is estimated that six construction projects will be reviewed during calendar year 2015. This represents 47 staff weeks of audit effort, which is approximately 4.6 percent of the audit plan.

## TECHNOLOGY SUPPORT

Technology support will be provided for non-information technology specific audits and advisory services reviews. Fourteen staff weeks are planned during calendar year 2015, which is approximately 1.3 percent of the audit plan.

## INVESTIGATIONS

The Office of Audit and Advisory Services is periodically called upon to provide investigative reviews which are often the result of alleged defalcations or conflicts of interest. In addition, whistleblower investigations are being performed on an ongoing basis, both by referral from the state auditor and directly from the chancellor's office. Forty-three staff weeks have been set aside for this purpose, representing approximately 4.2 percent of the audit plan.

## COMMITTEES/SPECIAL PROJECTS

The Office of Audit and Advisory Services is periodically called upon to provide consultation to the campuses and/or to participate on committees such as those related to information systems implementation and policy development, and to perform special projects. Special projects for 2015 will include the implementation of automated working papers in the Office of Audit and Advisory Services. Forty staff weeks have been set aside for this purpose, representing approximately 3.8 percent of the audit plan.

## FOLLOW-UPS

The purpose of this category is to follow-up on prior audit recommendations. The Office of Audit and Advisory Services reviews the responsiveness of the corrective action taken for each recommendation and determines whether additional action may be required. In certain instances, it may be necessary to revisit the campus to ascertain whether the corrective action taken is achieving the desired results. All recommendations are tracked until each is satisfactorily addressed. Reports of follow-up activity are made at each meeting of the Committee on Audit. Fifteen staff weeks have been set aside for this purpose, representing approximately 1.5 percent of the audit plan.

## ANNUAL RISK ASSESSMENT

The Office of Audit and Advisory Services annually conducts a risk assessment to determine the areas of highest risk to the system. Eight staff weeks have been set aside for this purpose, representing approximately 0.8 percent of the audit plan.

## ADMINISTRATION

Day to day administration of the Office of Audit and Advisory Services represents approximately 4.3 percent of the audit plan.

The following resolution is recommended for approval:

> **RESOLVED,** By the Committee on Audit of the California State University Board of Trustees that the 2015 internal audit plan, as detailed in Agenda Item 1 of the Committee on Audit at the January 27-28, 2015 meeting, be approved.

# COMMITTEE ON AUDIT

## Status Report on Current and Follow-up Internal Audit Assignments

**Presentation By**

Janice Mirza
Senior Director
Office of Audit and Advisory Services

**Summary**

This item includes both a status report on the 2014 audit plan and follow-up on past assignments. For the 2014 year, assignments were made to conduct reviews of Auxiliary Organizations, high-risk areas (Information Security, Accessible Technology, and Conflict of Interest), high profile areas (Sponsored Programs – Post Awards, Continuing Education, and Executive Travel), core financial area (Lottery Funds), and Construction. In addition, follow-up on current/past assignments (Special Audit, Auxiliary Organizations, Sensitive Data Security, Sponsored Programs, Student Health Services, Conflict of Interest, Lottery Funds, Accessible Technology, Executive Travel, and Information Security) was being conducted on approximately 32 prior campus/auxiliary reviews. Attachment A summarizes the reviews in tabular form. An up-to-date Attachment A will be distributed at the committee meeting.

## Status Report on Current and Follow-up Internal Audit Assignments

*Auxiliary Organizations*

The initial audit plan indicated that approximately 273 staff weeks of activity (26.6 percent of the plan) would be devoted to auditing internal compliance/internal control at eight campuses/29 auxiliaries. Four campus/15 auxiliary reports have been completed, two campus/nine auxiliary reports are awaiting a campus response prior to finalization, and report writing is being completed for two campuses/five auxiliaries.

*High-Risk Areas*

<u>Information Security</u>

The initial audit plan indicated that approximately 51 staff weeks of activity (5.0 percent of the plan) would be devoted to a review of the systems and managerial/technical measures for ongoing evaluation of data/information collected; identifying confidential, private or sensitive information; authorizing access; securing information; detecting security breaches; and security

incident reporting and response. Six campuses will be reviewed. One report has been completed, three reports are awaiting a campus response prior to finalization, and report writing is being completed at two campuses.

Accessible Technology

The initial audit plan indicated that approximately 51 staff weeks of activity (5.0 percent of the plan) would be devoted to a review of compliance with laws and regulations specific to the Americans with Disabilities Act of 1990 as it applies to accessible technology requirements and program access. Six campuses will be reviewed. Six reports have been completed.

Conflict of Interest

The initial audit plan indicated that approximately 53 staff weeks of activity (5.1 percent of the plan) would be devoted to a review of the process for identification of designated positions; monitoring, tracking, and review of disclosures relating to conflicts of interest, such as research disclosures; faculty and CSU-designated officials reporting; employee/vendor relationships; ethics training; and patent and technology transfer. Six campuses will be reviewed. Six reports have been completed, and a systemwide report has been issued.

*High Profile Areas*

Sponsored Programs – Post Awards

The initial audit plan indicated that approximately 50 staff weeks of activity (4.9 percent of the plan) would be devoted to a review of contract/grant budgeting and financial planning; indirect cost administration including cost allocation, cost sharing/matching, and transfer processes; effort-reporting, fiscal reporting, and progress reporting; approval of project expenditures; sub-recipient monitoring; and management and security of information systems. Six campuses will be reviewed. Four reports have been completed, and two reports are awaiting a campus response prior to finalization.

Continuing Education

The initial audit plan indicated that approximately 50 staff weeks of activity (4.9 percent of the plan) would be devoted to a review of the processes for administration of continuing education and extended learning operations as self-supporting entities; budgeting procedures, fee authorizations, and selection and management of courses; faculty workloads and payments to faculty and other instructors; enrollment procedures and maintenance of student records; and reporting of continuing education activity and maintenance of CERF contingency reserves. Six

campuses will be reviewed. Four reports are awaiting a campus response prior to finalization, and report writing is being completed for two campuses.

Executive Travel

The initial audit plan indicated that approximately 50 staff weeks of activity (4.9 percent of the plan) would be devoted to a review of campus travel policies and procedures to ensure alignment and compliance with CSU requirements; review of internal campus processes for monitoring, reviewing, and approving travel expense claims; and examination of senior management travel and travel expense claims for proper approvals and compliance with campus and CSU travel policy. Six campuses will be reviewed. Three reports have been completed, and three reports are awaiting a campus response prior to finalization.

*Core Financial Area*

Lottery Funds

The initial audit plan indicated that approximately 51 staff weeks of activity (4.9 percent of the plan) would be devoted to a review of campus lottery fund allocation and expenditure policies and procedures to ensure compliance with CSU and state requirements; review of internal campus processes for monitoring, reviewing, and approving campus discretionary allocations to specific programs; and examination of specific programs receiving lottery funding to confirm the expenditures are in conformance with state and CSU restrictions. Six campuses will be reviewed. Six reports have been completed, and a systemwide report is awaiting a response prior to finalization.

*Construction*

The initial audit plan indicated that approximately 39 staff weeks of activity (3.8 percent of the plan) would be devoted to a review of design budgets and costs; the bid process; invoice processing and change orders; project management, architectural, and engineering services; contractor compliance; cost verification of major equipment and construction components; the closeout process and liquidated damages; and overall project accounting and reporting. Five projects will be reviewed. Two reports have been completed, two reports are awaiting a campus response prior to finalization, and report writing is being completed for one project.

*Advisory Services*

The initial audit plan indicated that approximately 209 staff weeks of activity (20.3 percent of the plan) would be devoted to partnering with management to identify solutions for business issues, offering opportunities to improve the efficiency and effectiveness of operating areas, and assisting with special requests, while ensuring the consideration of related internal control issues. Reviews are ongoing.

*Information Systems*

The initial audit plan indicated that approximately 13 staff weeks of activity (1.3 percent of the plan) would be devoted to technology support for all high-risk and auxiliary audits. Reviews and training are ongoing.

*Investigations*

The Office of Audit and Advisory Services is periodically called upon to provide investigative reviews, which are often the result of alleged defalcations or conflicts of interest. In addition, whistleblower investigations are being performed on an ongoing basis, both by referral from the State Auditor and directly from the CSU Chancellor's Office. Forty-three staff weeks have been set aside for this purpose, representing approximately 4.2 percent of the audit plan.

*Committees/Special Projects*

The Office of Audit and Advisory Services is periodically called upon to provide consultation to the campuses and/or to perform special audit requests made by the chancellor. Twenty-nine staff weeks have been set aside for this purpose, representing approximately 2.8 percent of the audit plan.

*Follow-ups*

The audit plan indicated that approximately 16 staff weeks of activity (1.6 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of Audit and Advisory Services is currently tracking approximately 32 current/past assignments (Auxiliary Organizations, Sensitive Data Security, Sponsored Programs, Student Health Services, Conflict of Interest, Lottery Funds, Accessible Technology, Executive Travel, and Information Security) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

*Annual Risk Assessment*

The Office of Audit and Advisory Services annually conducts a risk assessment to determine the areas of highest risk to the system. Five staff weeks have been set aside for this purpose, representing approximately 0.5 percent of the audit plan.

*Administration*

Day-to-day administration of the Office of Audit and Advisory Services represents approximately 4.1 percent of the audit plan.

**Status Report on Current and Follow-Up Internal Audit Assignments**
(as of 1/22/2015)

| | 2014 ASSIGNMENTS | | | | | | | | FOLLOW-UP PAST/CURRENT ASSIGNMENTS | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Aux Orgs | Conflict of Interest | Lottery Funds | Access Tech | Exec Travel | Spon Prog-Post | Info Secuity | Cont Educ | Special Audit | | Auxiliary Organizations | | | Sen. Data Sec./Protect. | |
| | | | | | | | | | *Recs | **Mo. | ●No. | *Recs | **Mo. | *Recs | **Mo. |
| BAK | AC | | AC | | | | AI | | | | 4 | **12/35** | 4 | | |
| CHI | | AC | | | | | AI | | | | 4 | 25/25 | - | | |
| CI | AC | | | | AC | AI | | | | | 3 | 0/32 | 5 | 8/8 | - |
| DH | | | | AC | | | | | | | 3 | 19/19 | - | 9/9 | - |
| EB | AC | | AC | | | | | **AC** | | | 3 | 31/31 | - | | |
| FRE | AI | AC | AC | | | | | | | | 6 | | | | |
| FUL | | AC | | | | | | AI | | | 4 | 28/28 | - | | |
| HUM | | | AC | | | | AC | | | | 4 | 30/30 | - | | |
| LB | | | | | AC | | AI | | | | 3 | 27/27 | - | 6/6 | - |
| LA | | | | AC | | | | | | | 4 | 18/18 | - | | |
| MA | RW | | | | | **AC** | RW | | | | 2 | | | | |
| MB | RW | AC | | | | | | | | | 3 | | | | |
| NOR | | | | | | | | AI | | | 5 | 22/22 | - | | |
| POM | | | | AC | AI | AC | | | | | 2 | 11/11 | - | | |
| SAC | AC | AC | | | | | | | | | 5 | **28/41** | 8 | | |
| SB | | | | | | | RW | **AC** | | | 4 | 28/28 | - | 14/14 | - |
| SD | | | | AC | **AC** | | | | | | 4 | 21/21 | - | | |
| SF | | | | AC | | AC | | RW | | | 5 | 19/19 | - | 10/10 | - |
| SJ | | | | | AC | | | | **13/18** | 3 | 5 | 26/26 | - | | |
| SLO | AI | | | | | | | | | | 3 | | | | |
| SM | | | | AC | | | | | | | 4 | 22/22 | - | | |
| SON | | | AC | | | AC | | | | | 3 | 5/5 | - | | |
| STA | | | | | | AC | | RW | | | 4 | 14/14 | - | | |
| CO | | AC | AC | | AI | | | | | | 2 | 5/5 | - | 12/12 | - |
| SYS | | AC | AI | | | | | | | | | | | 1/2 | 4 |

FW = Field Work In Progress
RW = Report Writing in Progress
AI = Audit Incomplete (awaiting formal exit conference and/or campus response)
AC = Audit Complete

***** The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.
****** The number of months recommendations have been outstanding.
● The number of auxiliary organizations reviewed.
**Numbers/letters in green are upates since the agenda mailout.**

**Status Report on Current and Follow-Up Internal Audit Assignments**
(as of 1/22/2015)

| | FOLLOW-UP PAST/CURRENT ASSIGNMENTS | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sponsored Programs | | Student Health Svcs. | | Conflict of Interest | | Lottery Funds | | Accessible Technology | | Executive Travel | | Information Security | | Continuing Education | |
| | *Recs | **Mo. | *Recs | **Mo. | *Recs | **Mo. | *Recs | **Mo. | *Recs | **Mo. | *Recs | **Mo. | *Recs | **Mo. | *Recs | **Mo. |
| BAK | | | | | | | 2/2 | - | | | | | | | | |
| CHI | 6/6 | - | | | **3/3** | **-** | | | | | | | | | | |
| CI | | | | | | | | | | | 0/6 | 3 | | | | |
| DH | | | | | | | | | 1/6 | 5 | | | | | | |
| EB | | | | | | | 2/2 | - | | | | | | | **0/3** | **1** |
| FRE | | | | | 1/1 | - | 3/3 | - | | | | | | | | |
| FUL | 10/10 | - | | | 2/2 | - | | | | | | | | | | |
| HUM | | | | | | | 0/1 | 8 | | | | | 0/4 | 2 | | |
| LB | | | **6/6** | **-** | | | | | | | 0/3 | 4 | | | | |
| LA | | | | | | | | | **5/5** | **-** | | | | | | |
| MA | **0/7** | **2** | | | | | | | | | | | | | | |
| MB | 3/3 | - | | | 1/1 | - | | | | | | | | | | |
| NOR | 8/8 | - | | | | | | | | | | | | | | |
| POM | 1/3 | 3 | | | | | | | 0/7 | 5 | | | | | | |
| SAC | | | **9/9** | **-** | **4/5** | 5 | | | | | | | | | | |
| SB | | | | | | | | | | | | | | | **0/7** | **2** |
| SD | | | 14/14 | - | | | | | **7/7** | **-** | **0/6** | **1** | | | | |
| SF | **4/4** | **-** | | | | | | | 1/1 | - | | | | | | |
| SJ | | | 17/17 | - | | | | | | | 9/9 | - | | | | |
| SLO | 7/7 | - | | | | | | | | | | | | | | |
| SM | | | | | | | | | 0/4 | 3 | | | | | | |
| SON | 0/0 | - | 7/7 | - | | | 1/1 | - | | | | | | | | |
| STA | **6/7** | 5 | 6/6 | - | | | | | | | | | | | | |
| CO | | | | | 1/1 | - | 0/7 | 4 | | | | | | | | |
| SYS | | | 0/4 | 5 | 0/6 | 3 | | | | | | | | | | |

* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.
** The number of months recommendations have been outstanding.
• The number of auxiliary organizations reviewed.
**Numbers/letters in green are updates since the agenda mailout.**

**Status Report on Current and Follow-Up Construction Audit Assignments**
(as of 1/22/2015)

| | Project | Project | Contractor | Construction | Start | Comp. | Managed | Current | Campus Follow-Up | | CPDC Follow-Up | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | | | Cost | Date | Date | By | * | **RECS | ***MO. | **RECS | ***MO. |
| | | | | | | | | | | | | |
| 2014 | SLO-149 | Center for Science | Gilbane Building Co. | $82,794,636 | 10/10/2010 | Jan-14 | Campus | AC | 2/2 | - | | |
| | SM-1032 | University Student Center | PCL Const. Services | $37,671,543 | 2/8/2012 | Dec-13 | Campus | AC | | | 0/1 | 4 |
| | STA-164 | Science 1 Renovation Seismic | Acme Construction | $10,918,079 | 1/3/2012 | Nov-13 | Campus | AI | | | | |
| | SO-768 | University Center | Sundt Construction | $54,231,279 | 12/5/2011 | Mar-14 | Campus | AI | | | | |
| | SD-1023 | Aztec Center Student Union | Sundt Construction | $72,549,422 | 8/21/2011 | Apr-14 | Campus | RW | | | | |
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| | | | | | | | | | | | | |
| | *FW = Field Work in Progress; RW = Report Writing in Progress; AI = Audit Incomplete (awaiting formal exit conference and/or response); AC = Audit Complete | | | | | | | | | | | |
| | **The number of recommendations satisfactorily addressed followed by the number of recommedations in the original report. | | | | | | | | | | | |
| | ***The number of months that recommendations have been outstanding. | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

# COMMITTEE ON AUDIT

## Report of the Systemwide Audit in Accordance with Generally Accepted Accounting Principles Including the Report to Management

**Presentation By**

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

George Ashkar
Assistant Vice Chancellor/Controller
Financial Services

**Summary**

State law and Federal regulations require the California State University system be subject to financial statement audits. Annually, financial statement audits are performed for the CSU system as a whole, and also for discretely presented component units (i.e., auxiliary organizations) that separately issue their stand-alone financial statements. In addition, a separate audit is also performed each year on the financial statements of the CSU Systemwide Revenue Bond (SRB) program. All of these financial statement audits covering the University and component units are performed by more than 20 Certified Public Accounting firms across the State of California.

The CSU systemwide financial statements for the 2013-2014 fiscal year were issued with an unmodified (i.e., clean) opinion in mid-October 2014, and are included as an attachment to this item. There were no audit findings relating to the CSU systemwide financial statements. Highlights of the CSU systemwide financial statements will be presented including any significant changes from last year. There were audit findings relating to some of the separately issued financial statements of the auxiliary organizations. The Chancellor's Office is following up on those auxiliary organizations' audit findings to make sure appropriate corrective actions are taken and will report to the board on their status until they are completed.

In summary, the fiscal year ending June 30, 2014 was a successful year from an audit perspective. All financial reports were completed on schedule and received clean opinions. Representatives from KPMG, the systemwide audit firm, will be present to answer questions.

# CALIFORNIA STATE UNIVERSITY

Financial Statements

June 30, 2014

(With Independent Auditors' Report Thereon)

**CALIFORNIA STATE UNIVERSITY**

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

# Independent Auditors' Report

The Board of Trustees
California State University:

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the California State University (the University), an agency of the State of California (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 90 of the 92 aggregate discretely presented component units, which statements reflect total assets constituting 91.2% and total revenues constituting 94.2% of the aggregate discretely presented totals. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 90 discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

***Opinion***

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the California State University, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

***Other Matters***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

October 15, 2014

**CALIFORNIA STATE UNIVERSITY**

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

The following discussion and analysis provides an overview of the financial position and performance of the California State University as of and for the year ended June 30, 2014, including 23 campuses and the Office of the Chancellor (together referred to as the University), and 92 discretely presented component units (primarily recognized auxiliary organizations). The discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes, which follow this section. Separate financial statements are issued for each of the discretely presented component units and may be obtained from the individual campuses.

The financial statements of the University as of and for the year ended June 30, 2014 have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. For reporting purposes, the University is considered a special-purpose government engaged in business-type activities.

**Financial Statements**

This discussion and analysis is intended to serve as an introduction to the University's financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The financial statements are designed to provide readers with a broad overview of the University's finances from all sources of revenue, in a manner similar to the private sector. The University's discretely presented component units are presented in a separate column to enable the reader to distinguish between the University and these separate but related not-for-profit organizations.

The Statement of Net Position is the University's balance sheet. It presents information on all of the University's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these four are reported as net position (equity). Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally reported at their book value, except investments, which are reported at their fair market value. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the University.

The University's net position is classified into three categories:

- Net investment in capital assets
- Restricted
- Unrestricted

Changes from one year to the next in total net position as presented on the Statement of Net Position are based on the activity presented on the Statement of Revenues, Expenses, and Changes in Net Position.

The Statement of Revenues, Expenses, and Changes in Net Position is the University's income statement. Revenues earned and expenses incurred during the year on an accrual basis are classified as either operating or nonoperating. This distinction results in operating deficits, as the GASB Statement No. 35 reporting model



(Continued)

requires classification of state appropriations, a significant revenue stream to fund current operations, as nonoperating revenue.

The Statement of Cash Flows presents the changes in the University's cash and cash equivalents during the most recent fiscal year. This statement is prepared using the direct method of cash flows. The statement breaks out the sources and uses of the University's cash and cash equivalents into four categories:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

The University's routine activities appear in the operating and noncapital financing categories. Capital and related financing sources include debt proceeds, state capital appropriations, capital grants and gifts, proceeds from sale of capital assets, principal and interest payments received on capital leases, and notes receivable. Within the capital and related financing activities, uses of funds consist of acquisition of capital assets, debt repayments, and issuance of notes receivable. Sales and purchases of investments are part of investing activities.

The Statement of Cash Flows for the discretely presented component units is not included in the University's financial statements.

**Financial Highlights**

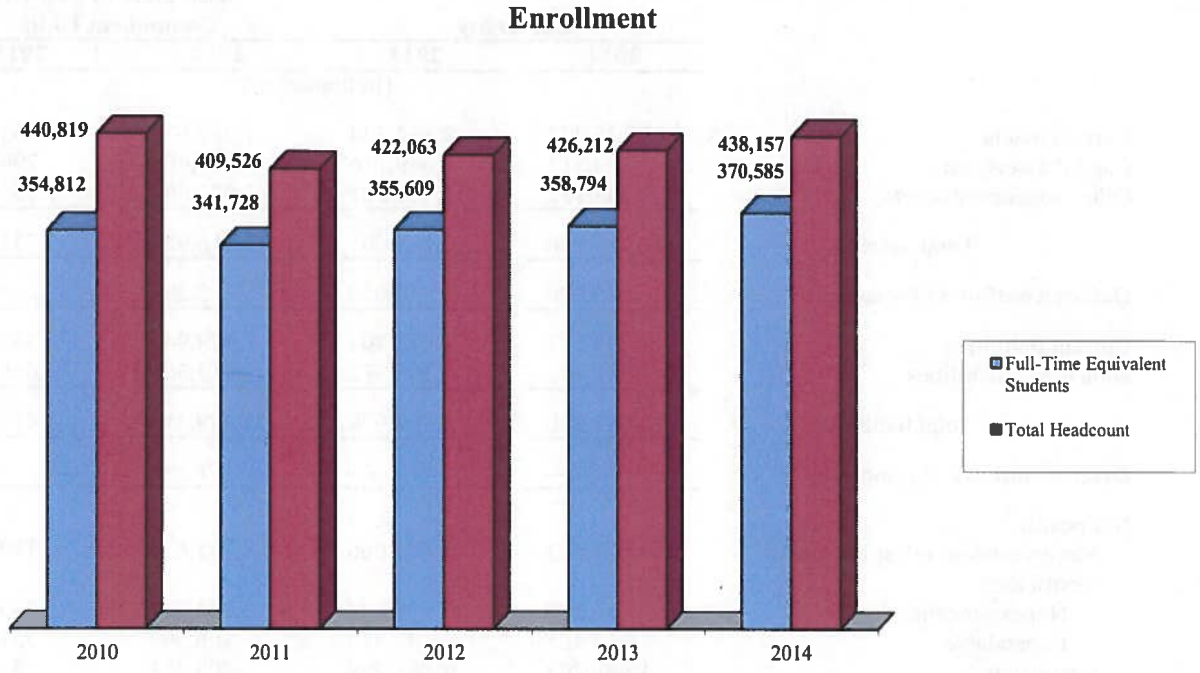
The noncapital state appropriation for the University in fiscal year 2014 was $2.35 billion, $277.3 million higher than in fiscal year 2013. This increase consists of $125.0 million to restore the University's revenue loss from the fiscal year 2013 tuition fee rollback, $125.0 million increase in general noncapital operating budget support, and $27.3 million for other items.

The student tuition fee revenues increased by $42.0 million in fiscal year 2014, mainly due to student enrollment growth. Headcount enrollment increased from 426,212 in fiscal year 2013 to 438,157 in fiscal year 2014, as reflected in the chart on the following page. At the same time, Full-Time Equivalent Students increased from 358,794 in fiscal year 2013 to 370,585 in fiscal year 2014.



(Continued)

The following chart displays the University's historical enrollment data by fiscal year:




**Financial Analysis**

The following sections provide additional details on the University's financial position and activities for fiscal years 2014 and 2013 and a look ahead at economic conditions that are expected to affect the University in the future:

I. Condensed Schedules of Net Position

II. Condensed Schedules of Revenues, Expenses, and Changes in Net Position



(Continued)

## I. Condensed Schedules of Net Position

| | University | | Discretely Presented Component Units | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (In thousands) | | | |
| Current assets | $ 3,125,495 | 2,862,724 | 1,227,635 | 1,065,568 |
| Capital assets, net | 7,820,312 | 7,689,116 | 811,405 | 796,835 |
| Other noncurrent assets | 1,435,131 | 1,568,821 | 2,077,887 | 1,869,282 |
| Total assets | 12,380,938 | 12,120,661 | 4,116,927 | 3,731,685 |
| Deferred outflows of resources | 45,426 | 32,020 | 5,204 | 5,071 |
| Current liabilities | 1,294,577 | 1,073,707 | 479,949 | 352,489 |
| Noncurrent liabilities | 5,388,743 | 5,395,972 | 1,019,365 | 1,059,656 |
| Total liabilities | 6,683,320 | 6,469,679 | 1,499,314 | 1,412,145 |
| Deferred inflows of resources | — | — | 1,561 | 2,481 |
| Net position: | | | | |
| Net investment in capital assets | 3,625,543 | 3,693,066 | 181,825 | 182,928 |
| Restricted: | | | | |
| Nonexpendable | 16,218 | 20,627 | 924,853 | 847,651 |
| Expendable | 114,485 | 87,510 | 906,097 | 759,064 |
| Unrestricted | 1,986,798 | 1,881,799 | 608,481 | 532,487 |
| Total net position | $ 5,743,044 | 5,683,002 | 2,621,256 | 2,322,130 |

### Current and Other Noncurrent Assets

Current and other noncurrent assets are assets that are not capital assets and are used to meet current and noncurrent obligations. These assets consist of cash and cash equivalents, restricted cash and cash equivalents, investments, accounts receivable, notes receivable, leases receivable, student loans receivable, pledges receivable, prepaid expenses, and other assets.

The total current and other noncurrent assets of $4.56 billion for the University represents an increase of $129.1 million compared to $4.43 billion in fiscal year 2013. Investments represent 70.4% of the total current and other noncurrent assets. The University invests its funds mainly through the California State University (CSU) Consolidated Investment Pool whose objective is to maximize current income while preserving and prioritizing asset safety and liquidity. In addition, funds are invested in Surplus Money Investment Fund (SMIF), which is managed by the State Treasurer to invest funds in a short-term pool. The total investment increased by $168.3 million due to an overall increase in operating resources provided by the State of California (the State) through noncapital appropriation as previously discussed.

The other major factors contributing to the increase in current and other noncurrent assets include the $23.0 million increase in notes receivable. Majority of the net increase in notes receivable are the proceeds from


(Continued)

the issuance of new Bond Anticipation Notes (BAN) loaned to certain discretely presented component units amounting to $46.7 million and collection of $22.0 million during the year. The other assets increased by $18.2 million mainly due to the new construction reserve funds held by the State Public Works Board (SPWB) in connection with the new capital leases under the SPWB Lease Revenue Bonds Program. These increases were offset by the $70.6 million decrease in accounts receivable, which is mainly due to collection of funds from the State utilized for operations and capital related projects including those under the SPWB Lease Revenue Bonds Program. These are offset by the net decrease of $9.8 million in other items.

Current and other noncurrent assets for the discretely presented component units increased by $370.7 million mainly due to $265.8 million increase in gifts and contributions to endowments managed mostly by Foundations. The endowment investments are mostly given to and managed by the discretely presented component units to maximize the return on these investments. The accounts receivable also increased by $85.7 million due to issuance of BANs by the California State University Institute, which increased its accounts receivable by $122.0 million and offset by net decrease of $36.3 million on receivables of the other discretely presented component units. The cash and cash equivalents increased by $28.7 million increase, which is attributable to increase in gifts noncapital. These are offset by the net decrease of $9.5 million in other items.

**Capital Assets, Net**

The University's capital assets, net of accumulated depreciation and amortization, as of June 30, 2014 and 2013, comprise the following:

| | 2014 | 2013 |
|---|---|---|
| | (In thousands) | |
| Land and land improvements | $ 261,990 | 256,976 |
| Buildings and building improvements | 6,028,032 | 5,823,857 |
| Improvements other than buildings | 167,728 | 166,195 |
| Infrastructure | 583,453 | 587,858 |
| Equipment | 210,875 | 202,809 |
| Library books and materials | 37,163 | 39,196 |
| Works of art and historical treasures | 30,341 | 28,697 |
| Intangible assets | 31,426 | 29,551 |
| Construction work in progress | 469,304 | 553,977 |
| Total | $ 7,820,312 | 7,689,116 |

Total capital assets, net of accumulated depreciation and amortization, increased by $131.2 million during fiscal year 2014 as a result of additions on various capital projects including the following:

- Completion of the $119.0 million San Luis Obispo Center for Science
- Completion of the $102.4 million San Diego Aztec Center Student Union
- Completion of the $62.3 million Sonoma Student Center


(Continued)

- Construction in progress on the $89.0 million San Jose Student Union Expansion and Renovation
- Construction in progress on the $63.1 million San Diego Storm/Nasatir Halls Renovation
- Construction in progress on the $63.8 million San Jose Spartan Complex Renovation
- Construction in progress on the $56.6 million Pomona Recreation Center

**Deferred Outflows of Resources**

Deferred outflows of resources are consumption of net assets that is applicable to a future reporting period, which has a positive effect on the net position. The University's deferred outflows of resources consist of unamortized loss on debt refunding in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective as of June 30, 2013. The unamortized loss on debt refunding increased by $13.4 million from $32.0 million in fiscal year 2013 to $45.4 million in fiscal year 2014, mainly due to the partial refunding of Systemwide Revenue Bonds Series 2005A and 2005C through the issuance of Series 2013A in July 2013 amounting to $18.3 million offset by the current year amortization.

**Current and Noncurrent Liabilities**

Current liabilities (liabilities due within one year) and noncurrent liabilities (liabilities due in more than one year) include accounts payable, accrued salaries and benefits, accrued compensated absences, unearned revenues, grants refundable, capitalized lease obligations, long-term debt obligations, claims liability for losses and loss adjustment expenses, depository accounts, other postemployment benefit obligations, and other liabilities.

Current and noncurrent liabilities of $6.68 billion for the University represent an increase of $213.6 million compared to $6.47 billion in fiscal year 2013. This is mainly due to the $104.6 million increase in capitalized lease obligation related to the SPWB and $58.4 million increase in long-term debt from issuance of BANs. Other major factors include the $48.0 million increase in other postemployment benefits obligations allocated from the State, $31.3 million combined increase in accrued salaries and benefits and accrued compensated balance due to increase in salary and benefit rates, $11.9 million in unearned revenues due to the increase in student enrollment, offset by $40.6 million decrease mainly in other liabilities for future obligations related to SPWB.

Current and other noncurrent liabilities for the discretely presented component units increased by $87.2 million mainly due to $94.7 million increase in long-term debt obligations, $12.2 million increase in claims liability for losses and loss adjustment expenses, $13.1 million increase in capitalized lease obligations and offset by $27.0 million in other liabilities, and $5.8 million net decrease in other items.


(Continued)

**Long-Term Debt Obligations**

The University's long-term debt obligations are summarized as follows:

| | 2014 | 2013 |
|---|---|---|
| | (In thousands) | |
| Systemwide Revenue Bonds | $ 3,507,043 | 3,604,708 |
| Bond Anticipation Notes | 168,511 | 27,055 |
| Other | 72,898 | 80,352 |
| Total | 3,748,452 | 3,712,115 |
| Unamortized bond net premium | 156,073 | 133,989 |
| Total long-term debt obligations | 3,904,525 | 3,846,104 |
| Less current portion | (260,601) | (98,747) |
| Long-term debt obligations, net of current portion | $ 3,643,924 | 3,747,357 |

The University's total long-term debt obligations increased by $58.4 million in fiscal year 2014, mainly due to the issuance of Systemwide Revenue Bonds Series 2013A of $351.0 million, issuance of Bond Anticipation Notes of $153.3 million to finance capital related projects, new debt of $5.3 million, which were offset by the $323.1 million advance debt refunding of Systemwide Revenue Bonds Series 2005A and 2005C, $114.0 million debt repayment, and $14.1 million amortization of bond premium.

The table above does not include the University's capitalized lease obligations. Capitalized lease obligations for the University increased by $104.6 million in fiscal year 2014, consisting primarily of new capital lease obligations of $174.9 million with the SPWB, offset by current year repayments and amortization of premium.

In addition, the State General Obligation Bond program has provided capital funding for various projects of the University. The debt related to these projects is not allocated to the University by the State and thus is not recorded in the University's financial statements. The total General Obligation Bond debt carried by the State related to University projects at June 30, 2014 and 2013 is approximately $2.60 billion.

No fundamental changes occurred in the revenues and expenditures of the revenue bond programs during fiscal year 2014. Repayment of specific programmatic revenue bonds is legally limited to the sources of revenue from operations of the projects including specific mandatory fees pledged to the revenue bond programs. For the Systemwide Revenue Bonds, revenues pledged generally include student housing fees, parking fees, student union fees, health center facilities fees, and continuing education fees, as well as other revenues designated by the Trustees for inclusion in the Systemwide Revenue Bonds program.

Moody's Investors Service currently provides an intrinsic rating of Aa2, with a stable outlook, for the Systemwide Revenue Bonds. Standard & Poor's Ratings Services currently provides an intrinsic rating of AA-, with a positive outlook, for the Systemwide Revenue Bonds. With the exception of certain maturities of Series 2008A, and Series 2009A, and all maturities of Series 2010A, Series 2010B, Series 2011A, Series 2012A, Series 2012B, and Series 2013A, all Systemwide Revenue Bonds are insured. Since the middle of fiscal year 2008,

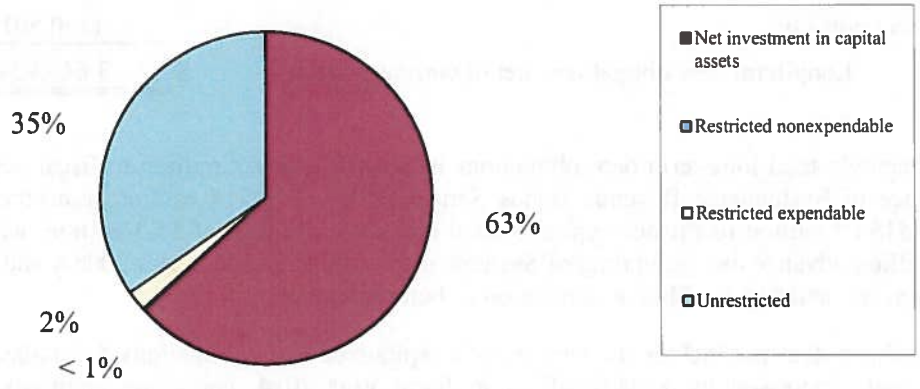

(Continued)

some providers of insurance for Systemwide Revenue Bonds have been downgraded to ratings below Aaa/AAA. Those bonds that are uninsured bear the intrinsic ratings of the Systemwide Revenue Bonds, which are Aa2 from the Moody's Investors Service and AA- from the Standard & Poor's Ratings Services.

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of the University's financial position. As of June 30, 2014, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.74 billion for the University, an increase of $60.0 million from prior year.

**University Net Position**
**June 30, 2014**




**Total Net Position: $5,743,044,000**

***Net investment in capital assets***

The net position category "Net investment in capital assets" represents the University's capital assets, net of accumulated depreciation, and also net of outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources. The University uses these capital assets in its day-to-day operations. This category is the largest portion of the University's net position year-over-year. The net investment in capital assets decreased by $67.5 million as a result of depreciation of capital assets at a faster rate than repayment of the long-term debt.


(Continued)

***Restricted***

Restricted net position has constraints on its use that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes a government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for specific purposes. Such restrictions are primarily related to endowments, scholarships, capital projects, loans, and debt service funds. The restricted net position category consists of two subcategories: "Restricted nonexpendable" and "Restricted expendable."

i. Restricted nonexpendable

The restricted nonexpendable net position is made up of the permanent endowment funds, the corpus of which may not be expendable. Generally speaking, the University's foundations, which are discretely presented component units, hold the significant majority of the University-related endowments. In the current year, there was no significant change in the University's restricted nonexpendable net position.

ii. Restricted expendable

Restricted expendable net position represents resources that are subject to external restrictions on how they may be used. Such restrictions are primarily related to scholarships, capital projects, loans, and debt service funds. In the current year, there was no significant change in the University's restricted expendable net position.

***Unrestricted***

The unrestricted net position represents all other net resources available to the University for general and educational obligations. Under U.S. generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net position is not subject to externally imposed restrictions per accounting definitions, the predominant portions of the unrestricted net position are designated for specific programs or projects related to certain revenue sources, as further explained in the following paragraphs. The unrestricted net position for the University increased by $105.0 million to $1.99 billion as of June 30, 2014, which consists of $1.30 billion designated resources from various funds and $691.0 million undesignated resources mainly from the operating fund. The undesignated resources provide a prudent reserve for contingencies, such as the uncertain direction of future state appropriations, as well as the effects of an uncertain economic environment.

Within the unrestricted net position category, the designated resources are derived from fee collections and other activities that are designated for very specific purposes and are not to be repurposed and spent for other activities. For example, students pay fees including Housing and Parking fees, campus activities fees, all of which are to be used for specific designated purposes as described in the Education Code. The University also has certain designated resources that represent amounts pledged to support the Systemwide Revenue Bonds program.

Of the $1.30 billion in designated unrestricted net position, approximately 62.7% was designated for supporting enterprise activities (i.e., Continuing Education, Housing, Parking, and Student Union), 12.3% was designated for campus-based projects or programs, and 10.6% was designated for special capital projects. The remaining 14.4% was designated for supporting activities related to education, financial aid, and other programs.

## II. Condensed Schedules of Revenues, Expenses, and Changes in Net Position

| | University | | Discretely presented component units | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (In thousands) | | | |
| Operating revenues: | | | | |
| Student tuition and fees, net | $ 2,123,212 | 2,081,251 | 170,703 | 185,213 |
| Grants and contracts, noncapital | 73,343 | 91,361 | 475,835 | 476,416 |
| Sales and services of educational activities | 42,227 | 35,355 | 34,458 | 28,595 |
| Sales and services of auxiliary enterprises, net | 416,300 | 402,626 | 476,237 | 459,091 |
| Other operating revenues | 178,657 | 187,155 | 233,327 | 228,771 |
| Total operating revenues | 2,833,739 | 2,797,748 | 1,390,560 | 1,378,086 |
| Operating expenses | 6,534,506 | 6,208,408 | 1,509,773 | 1,490,919 |
| Operating loss | (3,700,767) | (3,410,660) | (119,213) | (112,833) |
| Nonoperating revenues (expenses): | | | | |
| State appropriations, noncapital | 2,345,755 | 2,068,465 | — | — |
| Federal financial aid grants, noncapital | 885,327 | 810,838 | 1,198 | 1,541 |
| State financial aid grants, noncapital | 521,796 | 437,517 | 1,310 | 1,333 |
| Local financial aid grants, noncapital | — | — | 269 | 233 |
| Nongovernmental and other financial aid grants, noncapital | 34,784 | 30,831 | 325 | 172 |
| Other federal nonoperating grants, noncapital | 3,925 | 3,326 | — | — |
| Gifts, noncapital | 39,636 | 47,861 | 182,424 | 168,392 |
| Investment income, net | 43,610 | 41,522 | 94,335 | 59,102 |
| Endowment income, net | 86 | 129 | 136,027 | 85,241 |
| Interest expense | (226,268) | (244,187) | (27,047) | (29,547) |
| Other nonoperating revenues (expenses) | 66,417 | 79,702 | (19,858) | (26,420) |
| Net nonoperating revenues | 3,715,068 | 3,276,004 | 368,983 | 260,047 |
| Income (loss) before other revenues and expenses | 14,301 | (134,656) | 249,770 | 147,214 |

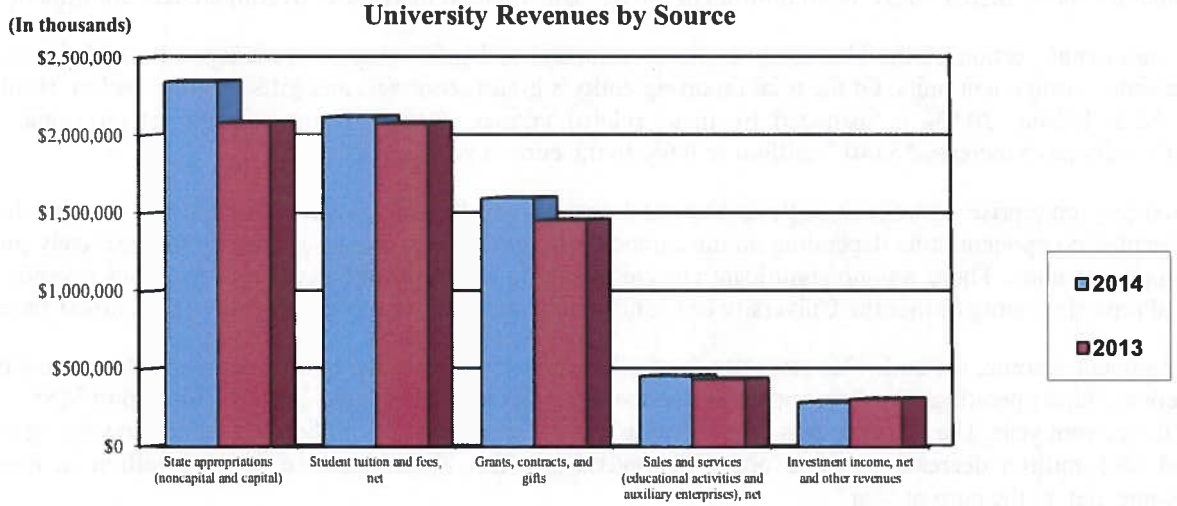


(Continued)

| | University | | Discretely presented component units | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (In thousands) | | | |
| State appropriations, capital | $ 1,896 | 16,983 | — | — |
| Grants and gifts, capital | 45,728 | 40,832 | 8,166 | 17,021 |
| Additions (reductions) to permanent endowments | (1,883) | (576) | 47,392 | 56,211 |
| Change in net position | 60,042 | (77,417) | 305,328 | 220,446 |
| Net position – beginning of year, as previously reported | 5,683,002 | 5,818,777 | 2,322,130 | 2,050,840 |
| Restatements | — | (58,358) | (6,202) | 50,844 |
| Net position – beginning of year, as restated | 5,683,002 | 5,760,419 | 2,315,928 | 2,101,684 |
| Net position – end of year | $ 5,743,044 | 5,683,002 | 2,621,256 | 2,322,130 |

## Revenues (Operating and Nonoperating)

The following chart displays the components of the University's revenues for fiscal years 2014 and 2013:






(Continued)

| | 2014 (In thousands) | Percentage of total | 2013 (In thousands) | Percentage of total |
|---|---|---|---|---|
| State appropriations (noncapital and capital) | $ 2,347,651 | 34.4% | 2,085,448 | 32.7% |
| Student tuition and fees, net | 2,123,212 | 31.1 | 2,081,251 | 32.7 |
| Grants, contracts, and gifts | 1,602,656 | 23.5 | 1,461,990 | 22.9 |
| Sales and services (educational activities and auxiliary enterprises), net | 458,527 | 6.7 | 437,981 | 6.9 |
| Investment income, net and other revenues | 288,770 | 4.3 | 308,508 | 4.8 |
| Total revenues (operating and nonoperating) | $ 6,820,816 | 100.0% | 6,375,178 | 100.0% |

The two largest components of revenues are state appropriations and student tuition and fees, net, which accounted for a combined 65.5% of the University's revenues in fiscal year 2014. State appropriations are received for both noncapital and capital purposes. Noncapital appropriations increased by $277.3 million, or 13.4%, from $2.07 billion to $2.35 billion in the current year. Capital appropriations decreased by $15.1 million, or 88.8%, from $17.0 million to $1.9 million in the current year. The student tuition and fees net of scholarship and allowances, increased by $42.0 million, or 2.0%, mainly due to increase in overall student enrollment.

A significant portion of the University's grants, contracts and gifts revenue is managed through its discretely presented component units. Of the total reporting entity's grants, contracts and gifts revenue (before elimination) of $2.32 billion, 30.9% is managed by these related entities. Grants, contracts, and gifts revenue for the University have increased $140.7 million or 9.6% in the current year.

Auxiliary enterprise operations such as student housing may be run by the University or by the discretely presented component units depending on the campus, whereas student unions are run by the discretely presented component units. There was no significant change in sales and services of auxiliary enterprises revenue for the total reporting entity (either the University or the discretely presented component units) in the current fiscal year.

Investment income, net and other revenues for the University, which consists of investment income, endowment income, other operating revenues, and other nonoperating revenues, decreased by $19.7 million to $288.8 million in the current year. The decrease was primarily due to a decrease of $13.3 million in other nonoperating revenues and $8.5 million decrease in other operating revenues, offset by an increase of $2.1 million in investment income, net, in the current year.

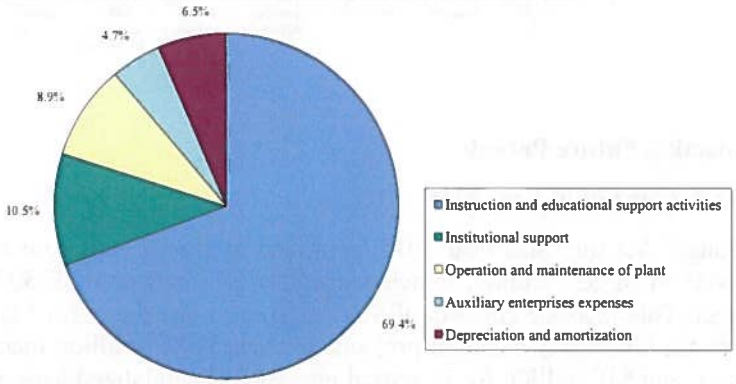
The University's investment portfolio consists primarily of investments held in the State of California SMIF and the CSU Consolidated Investment Pool. The University's strategy is to continue in investing in securities with low interest rates and short maturities.


(Continued)

## Operating Expenses

When the mission-critical educational support activities of student services, academic support, student grants and scholarships, public service, and research are added to direct classroom instruction, total instruction and educational support activities account for 69.4% of the total operating expenses of the University as shown below:

| | 2014 (In thousands) | Percentage of total |
|---|---|---|
| Instruction | $ 2,250,218 | 34.4% |
| Research | 45,306 | 0.7 |
| Public service | 53,834 | 0.8 |
| Academic support | 632,081 | 9.7 |
| Student services | 697,481 | 10.7 |
| Student grants and scholarships | 857,856 | 13.1 |
| Total instruction and educational support activities | 4,536,776 | 69.4 |
| Institutional support | 686,059 | 10.5 |
| Operation and maintenance of plant | 580,449 | 8.9 |
| Auxiliary enterprises expenses | 307,425 | 4.7 |
| Depreciation and amortization | 423,797 | 6.5 |
| Total operating expenses | $ 6,534,506 | 100.0% |

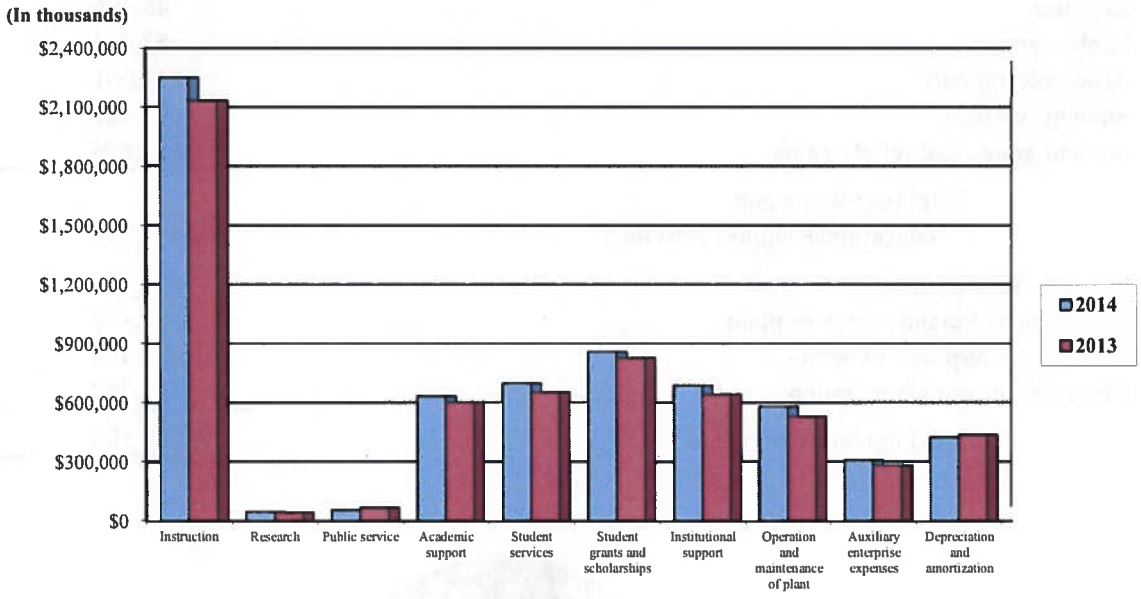





(Continued)

Total operating expenses for the University increased by $326.1 million in the current year. The increase was a result of primarily the increase in employees' salaries, employees' and retirees' benefit costs, and insurance premiums resulting in an increase of $116.9 million in instruction expenses, $30.9 million in academic support, $44.3 million in student services, and $45.6 million in institutional support. Other factors included increases in auxiliary enterprise expenses due to housing and parking lot improvements of $26.1 million, student grants and scholarships of $30.9 million, maintenance and repair expenses of $51.7 million, $11.7 million decrease in depreciation and amortization, and $8.6 million net decrease in other items. These increases were offset by overall cost reductions measures in various functional categories. The chart below displays the University's operating expenses by program for fiscal years 2014 and 2013:

**University Operating Expenses by Program**




## Factors Impacting Future Periods

### *State Budget Act for Fiscal Year 2015*

The State Budget Act for fiscal year 2015, approved by the Governor on June 20, 2014, resulted in noncapital state appropriation of $2.7 billion, which represents an increase of $350.0 million over the fiscal year 2014 enacted budget. This increase consists of $197 million to pay the cost of General Obligation bond debt service attributable to the University's capital projects, another $142.7 million increase in general noncapital operating budget support, and $10 million for increased new SPWB capitalized lease bond payments and other items. The University also projects student tuition and fee revenues to increase by $41.6 million in fiscal year 2015 primarily due to student enrollment growth.


(Continued)

In June 2014, the State enacted legislation that granted additional capital financing authorities to the University. These new authorities include the ability to pledge the University's annual general fund support appropriation, less the amount of that appropriation required to meet State general obligation bond payments and SPWB capitalized lease payments, to secure the payment of debt obligations issued by the University pursuant to the State University Revenue Bond Act of 1947 (Act). No more than 12 percent of the University's annual general fund support appropriation, less the amount of that appropriation that is required to fund State General Obligation bond payments and SPWB capitalized lease payments, may be used for debt service for, or to directly fund, certain capital expenditures. These new authorities also allow the University to pledge any other revenues that the University chooses to pledge to secure the payment of debt obligations issued by the University pursuant to the Act and provide flexibility to utilize these new authorities through the Systemwide Revenue Bond program. The University is still evaluating the new authorities and has taken no action to utilize them.

***New Accounting Pronouncements***

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the University's fiscal year beginning July 1, 2014. This Statement revises existing standards for employer financial statements relating to measuring and reporting pension liabilities for pension plans provided by the University to its employees. The Statement requires recognition of a liability in the University's financial statements equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's net position.

As the University participates with the State of California in California Public Employees' Retirement System (CalPERS), the University is reliant on both CalPERS and the State Controller's Office for determining the effects of implementing this Statement in future financial statements. The University has not yet determined the impact of GASB Statement No. 68 will have on the University's financial statements.

**CALIFORNIA STATE UNIVERSITY**

Statement of Net Position

June 30, 2014

| Assets | University | Discretely presented component units | Total |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ 4,074,000 | 228,831,000 | 232,905,000 |
| Short-term investments | 2,855,578,000 | 576,288,000 | 3,431,866,000 |
| Accounts receivable, net | 144,726,000 | 336,804,000 | 481,530,000 |
| Leases receivable, current portion | 11,442,000 | 2,559,000 | 14,001,000 |
| Notes receivable, current portion | 51,319,000 | 3,225,000 | 54,544,000 |
| Pledges receivable, net | 240,000 | 48,009,000 | 48,249,000 |
| Prepaid expenses and other assets | 58,116,000 | 31,919,000 | 90,035,000 |
| Total current assets | 3,125,495,000 | 1,227,635,000 | 4,353,130,000 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 90,000 | 26,725,000 | 26,815,000 |
| Accounts receivable, net | 298,608,000 | 41,382,000 | 339,990,000 |
| Leases receivable, net of current portion | 358,915,000 | 67,946,000 | 426,861,000 |
| Notes receivable, net of current portion | 249,367,000 | 24,985,000 | 274,352,000 |
| Student loans receivable, net | 88,251,000 | 1,229,000 | 89,480,000 |
| Pledges receivable, net | 960,000 | 101,701,000 | 102,661,000 |
| Endowment investments | 16,218,000 | 1,273,389,000 | 1,289,607,000 |
| Other long-term investments | 340,935,000 | 498,285,000 | 839,220,000 |
| Capital assets, net | 7,820,312,000 | 811,405,000 | 8,631,717,000 |
| Other assets | 81,787,000 | 42,245,000 | 124,032,000 |
| Total noncurrent assets | 9,255,443,000 | 2,889,292,000 | 12,144,735,000 |
| Total assets | 12,380,938,000 | 4,116,927,000 | 16,497,865,000 |
| **Deferred Outflows of Resources** | | | |
| Deferred outflows of resources | 45,426,000 | 5,204,000 | 50,630,000 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable | 195,073,000 | 81,173,000 | 276,246,000 |
| Accrued salaries and benefits | 297,794,000 | 23,532,000 | 321,326,000 |
| Accrued compensated absences, current portion | 119,690,000 | 14,074,000 | 133,764,000 |
| Unearned revenue | 256,641,000 | 62,110,000 | 318,751,000 |
| Capitalized lease obligations, current portion | 70,042,000 | 15,906,000 | 85,948,000 |
| Long-term debt obligations, current portion | 260,601,000 | 172,542,000 | 433,143,000 |
| Claims liability for losses and loss adjustment expenses, current portion | — | 32,971,000 | 32,971,000 |
| Depository accounts, current portion | 7,264,000 | 12,866,000 | 20,130,000 |
| Other liabilities | 87,472,000 | 64,775,000 | 152,247,000 |
| Total current liabilities | 1,294,577,000 | 479,949,000 | 1,774,526,000 |
| Noncurrent liabilities: | | | |
| Accrued compensated absences, net of current portion | 98,553,000 | 3,471,000 | 102,024,000 |
| Unearned revenue | 11,460,000 | 13,051,000 | 24,511,000 |
| Grants refundable | 93,504,000 | 6,883,000 | 100,387,000 |
| Capitalized lease obligations, net of current portion | 1,180,232,000 | 360,020,000 | 1,540,252,000 |
| Long-term debt obligations, net of current portion | 3,643,924,000 | 400,151,000 | 4,044,075,000 |
| Claims liability for losses and loss adjustment expenses, net of current portion | — | 67,395,000 | 67,395,000 |
| Depository accounts | 2,125,000 | 13,228,000 | 15,353,000 |
| Other postemployment benefits obligation | 267,013,000 | 96,293,000 | 363,306,000 |
| Other liabilities | 91,932,000 | 58,873,000 | 150,805,000 |
| Total noncurrent liabilities | 5,388,743,000 | 1,019,365,000 | 6,408,108,000 |
| Total liabilities | 6,683,320,000 | 1,499,314,000 | 8,182,634,000 |
| **Deferred Inflows of Resources** | | | |
| Deferred inflows of resources | — | 1,561,000 | 1,561,000 |
| **Net Position** | | | |
| Net position: | | | |
| Net investment in capital assets | 3,625,543,000 | 181,825,000 | 3,807,368,000 |
| Restricted for: | | | |
| Nonexpendable – endowments | 16,218,000 | 924,853,000 | 941,071,000 |
| Expendable: | | | |
| Scholarships and fellowships | 14,671,000 | 248,176,000 | 262,847,000 |
| Research | 35,000 | 31,388,000 | 31,423,000 |
| Loans | 14,310,000 | 1,943,000 | 16,253,000 |
| Capital projects | 64,778,000 | 40,150,000 | 104,928,000 |
| Debt service | 139,000 | 9,987,000 | 10,126,000 |
| Other | 20,552,000 | 574,453,000 | 595,005,000 |
| Unrestricted | 1,986,798,000 | 608,481,000 | 2,595,279,000 |
| Total net position | $ 5,743,044,000 | 2,621,256,000 | 8,364,300,000 |

See accompanying notes to financial statements.

## CALIFORNIA STATE UNIVERSITY

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2014

| | University | Discretely presented component units | Eliminations | Total |
|---|---|---|---|---|
| Revenues: | | | | |
| Operating revenues: | | | | |
| Student tuition and fees (net of scholarship allowances of $1,234,193,000) | $ 2,123,212,000 | 170,703,000 | (11,413,000) | 2,282,502,000 |
| Grants and contracts, noncapital: | | | | |
| Federal | 42,917,000 | 329,793,000 | (189,000) | 372,521,000 |
| State | 15,360,000 | 79,046,000 | (13,000) | 94,393,000 |
| Local | 7,109,000 | 13,215,000 | — | 20,324,000 |
| Nongovernmental | 7,957,000 | 53,781,000 | (1,602,000) | 60,136,000 |
| Sales and services of educational activities | 42,227,000 | 34,458,000 | — | 76,685,000 |
| Sales and services of auxiliary enterprises (net of scholarship allowances of $71,734,000) | 416,300,000 | 476,237,000 | (7,094,000) | 885,443,000 |
| Other operating revenues | 178,657,000 | 233,327,000 | (2,257,000) | 409,727,000 |
| Total operating revenues | 2,833,739,000 | 1,390,560,000 | (22,568,000) | 4,201,731,000 |
| Expenses: | | | | |
| Operating expenses: | | | | |
| Instruction | 2,250,218,000 | 154,318,000 | (3,568,000) | 2,400,968,000 |
| Research | 45,306,000 | 211,179,000 | (726,000) | 255,759,000 |
| Public service | 53,834,000 | 146,517,000 | (2,429,000) | 197,922,000 |
| Academic support | 632,081,000 | 63,466,000 | (1,810,000) | 693,737,000 |
| Student services | 697,481,000 | 162,706,000 | (31,290,000) | 828,897,000 |
| Institutional support | 686,059,000 | 185,399,000 | (6,911,000) | 864,547,000 |
| Operation and maintenance of plant | 580,449,000 | 47,099,000 | (13,428,000) | 614,120,000 |
| Student grants and scholarships | 857,856,000 | 51,190,000 | (26,489,000) | 882,557,000 |
| Auxiliary enterprise expenses | 307,425,000 | 439,513,000 | (13,149,000) | 733,789,000 |
| Depreciation and amortization | 423,797,000 | 48,386,000 | — | 472,183,000 |
| Total operating expenses | 6,534,506,000 | 1,509,773,000 | (99,800,000) | 7,944,479,000 |
| Operating loss | (3,700,767,000) | (119,213,000) | 77,232,000 | (3,742,748,000) |
| Nonoperating revenues (expenses): | | | | |
| State appropriations, noncapital | 2,345,755,000 | — | — | 2,345,755,000 |
| Federal financial aid grants, noncapital | 885,327,000 | 1,198,000 | — | 886,525,000 |
| State financial aid grants, noncapital | 521,796,000 | 1,310,000 | — | 523,106,000 |
| Local financial aid grants, noncapital | — | 269,000 | — | 269,000 |
| Nongovernmental and other financial aid grants, noncapital | 34,784,000 | 325,000 | (17,979,000) | 17,130,000 |
| Other federal nonoperating grants, noncapital | 3,925,000 | — | — | 3,925,000 |
| Gifts, noncapital | 39,636,000 | 182,424,000 | (45,414,000) | 176,646,000 |
| Investment income, net | 43,610,000 | 94,335,000 | — | 137,945,000 |
| Endowment income | 86,000 | 136,027,000 | — | 136,113,000 |
| Interest expense | (226,268,000) | (27,047,000) | — | (253,315,000) |
| Other nonoperating revenues (expenses) | 66,417,000 | (19,858,000) | 4,012,000 | 50,571,000 |
| Net nonoperating revenues | 3,715,068,000 | 368,983,000 | (59,381,000) | 4,024,670,000 |
| Income before other revenues and expenses | 14,301,000 | 249,770,000 | 17,851,000 | 281,922,000 |
| State appropriations, capital | 1,896,000 | — | — | 1,896,000 |
| Grants and gifts, capital | 45,728,000 | 8,166,000 | (17,851,000) | 36,043,000 |
| Additions (reduction) to permanent endowments | (1,883,000) | 47,392,000 | — | 45,509,000 |
| Increase in net position | 60,042,000 | 305,328,000 | — | 365,370,000 |
| Net position: | | | | |
| Net position at beginning of year, as previously reported | 5,683,002,000 | 2,322,130,000 | — | 8,005,132,000 |
| Restatements | — | (6,202,000) | — | (6,202,000) |
| Net position at beginning of year, as restated | 5,683,002,000 | 2,315,928,000 | — | 7,998,930,000 |
| Net position at end of year | $ 5,743,044,000 | 2,621,256,000 | — | 8,364,300,000 |

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY**

Statement of Cash Flows

Year ended June 30, 2014

| | University |
|---|---|
| Cash flows from operating activities: | |
| Student tuition and fees | $ 2,125,685,000 |
| Federal grants and contracts | 45,937,000 |
| State grants and contracts | 21,364,000 |
| Local grants and contracts | 7,138,000 |
| Nongovernmental grants and contracts | 10,196,000 |
| Payments to suppliers | (1,204,403,000) |
| Payments to employees | (3,951,506,000) |
| Payments to students | (863,098,000) |
| Collections of student loans | 3,806,000 |
| Sales and services of educational activities | 39,970,000 |
| Sales and services of auxiliary enterprises | 417,656,000 |
| Other receipts | 178,298,000 |
| Net cash used in operating activities | (3,168,957,000) |
| Cash flows from noncapital financing activities: | |
| State appropriations | 2,345,696,000 |
| Federal financial aid grants | 887,986,000 |
| State financial aid grants | 521,801,000 |
| Nongovernmental and other financial aid grants | 34,791,000 |
| Other federal nonoperating grants | 4,108,000 |
| Gifts and grants received for other than capital purposes | 36,976,000 |
| Federal loan program receipts | 1,300,769,000 |
| Federal loan program disbursements | (1,301,982,000) |
| Monies received on behalf of others | 112,854,000 |
| Monies disbursed on behalf of others | (118,561,000) |
| Other noncapital financing activities | 75,568,000 |
| Net cash provided by noncapital financing activities | 3,900,006,000 |
| Cash flows from capital and related financing activities: | |
| Proceeds from capital debt | 464,372,000 |
| State appropriations | 36,488,000 |
| State appropriations – SPWB Lease Revenue Bonds Program | 104,566,000 |
| Capital grants and gifts | 24,393,000 |
| Proceeds from sale of capital assets | 164,000 |
| Acquisition of capital assets | (526,947,000) |
| Issuance of notes receivable | (6,284,000) |
| Transfers to escrow agent | (349,703,000) |
| Principal paid on capital debt and leases | (171,309,000) |
| Interest paid on capital debt and leases | (216,097,000) |
| Principal collection on capital leases | 12,150,000 |
| Interest collection on capital leases | 17,595,000 |
| Principal collection on notes receivable | 6,190,000 |
| Interest collection on notes receivable | 11,543,000 |
| Net cash used in capital and related financing activities | (592,879,000) |



(Continued)

**CALIFORNIA STATE UNIVERSITY**

Statement of Cash Flows

Year ended June 30, 2014

| | University |
|---|---|
| Cash flows from investing activities: | |
| Proceeds from sales of investments | $ 7,580,114,000 |
| Purchases of investments | (7,743,216,000) |
| Investment income proceeds | 20,721,000 |
| Net cash used in investing activities | (142,381,000) |
| Net decrease in cash and cash equivalents | (4,211,000) |
| Cash and cash equivalents at beginning of year | 8,375,000 |
| Cash and cash equivalents at end of year | $ 4,164,000 |
| Summary of cash and cash equivalents at end of year: | |
| Cash and cash equivalents | $ 4,074,000 |
| Restricted cash and cash equivalents | 90,000 |
| Total cash and cash equivalents at end of year | $ 4,164,000 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | $ (3,700,767,000) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation and amortization | 423,797,000 |
| Change in assets and liabilities: | |
| Accounts receivable, net | 11,217,000 |
| Notes receivable | 4,825,000 |
| Student loans receivable, net | (1,374,000) |
| Pledges receivable, net | (692,000) |
| Prepaid expenses and other assets | (3,511,000) |
| Accounts payable | (4,946,000) |
| Accrued salaries and benefits | 18,838,000 |
| Accrued compensated absences | 10,425,000 |
| Unearned revenue | 15,728,000 |
| Depository accounts | 196,000 |
| Other postemployment benefits obligation | 47,995,000 |
| Other liabilities | 9,312,000 |
| Net cash used in operating activities | $ (3,168,957,000) |
| Supplemental schedule of noncash transactions: | |
| Proceeds to fund new SPWB capitalized leases held by State | $ 174,857,000 |
| Contributed capital assets | 20,588,000 |
| Amortization of loss on debt refundings | 6,572,000 |
| Change in accrued capital asset purchases | 8,914,000 |
| Increase in SPWB construction reserve funds held by State | 16,090,000 |
| Acquisition of capital assets through capitalized lease | 2,485,000 |
| Acquisition of capital assets through long-term debt obligations | 1,140,000 |
| Gifts in kind | 1,020,000 |
| Amortization of net bond premium | 16,468,000 |
| Capitalized interest applied against debt service | 19,213,000 |
| Notes receivable forgiven | 4,825,000 |
| Issuance of notes receivable through proceeds from long-term debt | 40,464,000 |
| Collection of notes receivable used to directly pay long-term debt | 11,685,000 |
| Proceeds from long-term debt received directly by discretely presented component units | 40,464,000 |
| Payment of long-term debt made directly by discretely presented component units | 11,685,000 |

See accompanying notes to financial statements.

## (1) Organization

California State University (the University) was established under the State of California Education Code as a public university to offer undergraduate and graduate instruction for professional and occupational goals emphasizing a broad liberal arts education. As an agency of the State of California (the State), the University is also included in the State's financial statements. Responsibility for the University is vested in the Trustees of California State University (the Trustees) who, in turn, appoint the Chancellor, the chief executive officer of the University, and the University Presidents, the chief executive officers of the respective campuses. In addition to the Office of the Chancellor, the following 23 campuses comprise the California State University at June 30, 2014:

- California State University, Bakersfield
- California State University, Channel Islands
- California State University, Chico
- California State University, Dominguez Hills
- California State University, East Bay
- California State University, Fresno
- California State University, Fullerton
- Humboldt State University
- California State University, Long Beach
- California State University, Los Angeles
- California Maritime Academy
- California State University, Monterey Bay
- California State University, Northridge
- California State Polytechnic University, Pomona
- California State University, Sacramento
- California State University, San Bernardino
- San Diego State University
- San Francisco State University
- San Jose State University
- California Polytechnic State University, San Luis Obispo
- California State University, San Marcos
- Sonoma State University
- California State University, Stanislaus



(Continued)

The University provides instruction for baccalaureate, masters', doctorate, and certificate programs, and operates various auxiliary enterprises, such as student housing and parking facilities. In addition, the University administers a variety of financial aid programs that are funded primarily through state and federal programs.

## (2) Summary of Significant Accounting Policies

### *(a) Financial Reporting Entity*

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities — an amendment of GASB Statement No.34*, the accompanying financial statements present the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows of the 23 campuses and the Office of the Chancellor of the University.

In addition, the accompanying financial statements include the accounts of the 92 discretely presented component units, which are primarily University-related recognized auxiliary organizations. There are four discretely presented component units that are not auxiliary organizations (identified by asterisk (*) below). These discretely presented component units are legally separate entities that provide services primarily to the University and its students. Such organizations include foundations, associated students, student unions, food service entities, bookstores, and similar organizations. Foundations, whose net position comprises approximately 79.0% of the discretely presented component unit totals, carry out a variety of campus-related activities. Such activities consist primarily of administering grants from governmental and private agencies for research, as well as soliciting and accepting donations, gifts, and bequests for University-related use. Separate financial statements are issued for each of the discretely presented component units and may be obtained from the individual campuses.

The recognized discretely presented component units are as follows:

- California State University, Bakersfield, Foundation
- Associated Students, California State University, Bakersfield, Inc.
- California State University, Bakersfield Student Union
- California State University, Bakersfield, Auxiliary for Sponsored Programs Administration
- California State University Institute
- California State University Foundation
- California State University Risk Management Authority*
- California State University, Channel Islands Foundation
- Associated Students of California State University, Channel Islands, Inc.
- California State University Channel Islands Financing Authority*


(Continued)

- California State University Channel Islands Site Authority*
- California State University Channel Islands University Glen Corporation
- The CSU, Chico Research Foundation
- The University Foundation, California State University, Chico
- Associated Students of California State University, Chico
- California State University Dominguez Hills Foundation
- Associated Students, Inc., California State University, Dominguez Hills
- The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills
- California State University, East Bay Foundation, Inc.
- Associated Students, Inc. of California State University, East Bay
- Cal State East Bay Educational Foundation, Inc.
- California State University, Fresno Foundation
- Associated Students, Inc. of California State University, Fresno
- California State University, Fresno Association, Inc.
- The Agricultural Foundation of California State University, Fresno
- California State University, Fresno Athletic Corporation
- The Bulldog Foundation (Fresno)*
- Fresno State Programs for Children, Inc.
- Cal State Fullerton Philanthropic Foundation
- Associated Students, California State University, Fullerton, Inc.
- Titan Student Centers Associated Students California State University, Fullerton, Inc.
- CSU Fullerton Housing Authority
- CSU Fullerton Auxiliary Services Corporation
- Humboldt State University Sponsored Programs Foundation
- Associated Students of Humboldt State University
- Humboldt State University Center Board of Directors
- Humboldt State University Advancement Foundation
- California State University, Long Beach Research Foundation
- CSULB 49er Foundation



(Continued)

- Associated Students, Inc., California State University, Long Beach
- Forty-Niner Shops, Inc. (Long Beach)
- Cal State L.A. University Auxiliary Services, Inc.
- California State University, Los Angeles Foundation
- Associated Students of California State University, Los Angeles, Inc.
- University – Student Union at California State University, Los Angeles
- California Maritime Academy Foundation, Inc.
- Associated Students of the California Maritime Academy
- University Corporation at Monterey Bay
- Foundation of California State University, Monterey Bay
- California State University, Northridge Foundation
- Associated Students, Inc., California State University, Northridge
- University Student Union, California State University, Northridge
- North Campus – University Park Development Corporation (Northridge)
- The University Corporation (Northridge)
- Cal Poly Pomona Foundation, Inc.
- Associated Students, Inc., California State Polytechnic University, Pomona
- The University Foundation at Sacramento State
- University Enterprises, Inc. (Sacramento)
- Associated Students of California State University, Sacramento
- University Union Operation of California State University, Sacramento
- Capital Public Radio, Inc. (Sacramento)
- Santos Manuel Student Union of California State University, San Bernardino
- Associated Students, Incorporated, California State University, San Bernardino
- CSUSB Philanthropic Foundation
- University Enterprises Corporation at CSUSB
- San Diego State University Research Foundation
- The Campanile Foundation (San Diego)
- Associated Students of San Diego State University



(Continued)

- Aztec Shops, Ltd. (San Diego)
- The University Corporation, San Francisco State
- Associated Students of San Francisco State University
- San Francisco State University Student Center
- San Francisco State University Foundation
- Associated Students of San Jose State University
- The Student Union of San Jose State University
- The Tower Foundation of San Jose State University
- San Jose State University Research Foundation
- Spartan Shops, Inc. (San Jose)
- California Polytechnic State University Foundation (San Luis Obispo)
- Cal Poly Corporation (San Luis Obispo)
- Associated Students, Inc., California Polytechnic State University, San Luis Obispo
- University Auxiliary and Research Services Corporation (San Marcos)
- Associated Students, Inc. of California State University, San Marcos
- San Marcos University Corporation
- California State University San Marcos Foundation
- Sonoma State University Academic Foundation, Inc.
- Associated Students of Sonoma State University
- Sonoma State Enterprises, Inc.
- California State University, Stanislaus Foundation
- Associated Students Incorporated of California State University, Stanislaus
- University Student Union of California State University, Stanislaus
- California State University, Stanislaus Auxiliary and Business Services

These component units are presented in the accompanying financial statements as discretely presented component units of the University due to the nature and significance of their relationship with the University. The relationships are such that exclusion of these organizations from the reporting entity would render the financial statements incomplete, primarily due to their close affiliation with the University. These organizations are discretely presented to allow the financial statement users to distinguish between the University and the component units. None of the component units are considered individually significant to the total discretely presented component units.

All significant nonexchange transactions have been eliminated.

The accompanying financial statements also include the Stockton Center Site Authority, Fullerton Arboretum, and California State Student Association, which are included as blended component units. These organizations primarily provide services to the University in the areas of asset management and student support. The University is financially accountable for these organizations.

### *(b) Basis of Presentation*

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

As a public institution, the University is considered a special-purpose government under the provisions of GASB Statement Nos. 34 and 35. The University records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present financial statements using the reporting model for special-purpose governments engaged in business-type activities. This model allows all financial information for the University to be reported in a single column in each of the financial statements, accompanied by aggregated financial information for the discretely presented component units, as discussed above. The effect of internal activities between funds or groups of funds has been eliminated from these financial statements.

### *(c) New Accounting Pronouncements*

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the University's fiscal year beginning July 1, 2014. This Statement revises existing standards for measuring and reporting pension liabilities for pension plans provided by the University to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (amendment of GASB Statement No. 68)*. This is effective for the University's fiscal year beginning July 1, 2014. This Statement states that if it is not practical to determine the beginning balances for deferred inflows of resources and deferred outflows of resources these should not be reported on the year of implementation of the standard.

The University is evaluating the effect that GASB Statement Nos. 68 and 71 will have on its financial statements.



(Continued)

### *(d) Discretely Presented Component Units Restatements*

The beginning net position of the discretely presented component units has been restated by $6.2 million for reasons explained below. A summary of those restatements to net position at the beginning of the year related to the discretely presented component units is as follows:

| | |
|---|---|
| Net position as of June 30, 2013, as previously reported | $ 2,322,130,000 |
| Adjustment due to ineligible grant claims for post retirement health benefits | (4,510,000) |
| Adjustment in OPEB obligation due to conversion from FASB to GASB | (1,120,000) |
| Other adjustments | (572,000) |
| Net position at beginning of year, as restated | $ 2,315,928,000 |

### *(e) Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities*

The University considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the Statement of Net Position date. Liabilities that reasonably can be expected, as part of normal University business operations, to be liquidated within 12 months of the Statement of Net Position date are considered to be current. All other assets and liabilities are considered noncurrent. For classification of current and noncurrent investments, refer to note 2(g).

### *(f) Cash and Cash Equivalents and Statement of Cash Flows*

The University considers highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The University considers amounts included in the CSU Consolidated Investment Pool to be investments. The Statement of Cash Flows does not include the cash flows of the discretely presented component units. Certain transactions recorded as revenue or expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position include transactions between the University and its discretely presented component units that are also participants in the CSU Consolidated Investment Pool. The University considers changes in the respective participant's equity in the CSU Consolidated Investment Pool resulting from these transactions to represent cash flows of the University in the accompanying Statement of Cash Flows.

### *(g) Investments*

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying Statement of Revenues, Expenses, and Changes in Net Position as a component of investment income, net.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted for withdrawal or use for other than current operations, designated or restricted for the acquisition or construction of noncurrent assets, designated or restricted for the liquidation of the noncurrent portion of long-term debt, and restricted as to the liquidity of the investments are classified as other long-term investments.


(Continued)

***(h) Accounts Receivable***

The University maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable based on type of receivables and expectations of repayment. In establishing the required allowance, management considers one or more of the following: type of receivable, state guidelines, historical losses adjusted to take into account current market conditions, the amount of receivable in dispute, the current receivable aging, and current payment patterns. The University reviews its allowance for doubtful accounts annually. Past-due balances over 90 days and over a specified amount are reviewed individually for collectibility.

***(i) Capital Assets***

Capital assets are stated at cost or estimated historical cost if purchased, or, if donated, at estimated fair value at date of donation. Capital assets, including infrastructure and intangible assets, with an original value of $5,000 or more and with a useful life of one year or more, are capitalized. Such cost includes, where applicable, interest capitalized as part of the cost of constructed capital assets. Title to all University assets, whether purchased, constructed, or donated, is held by the State. Although title is not with the University for land and buildings, the University has exclusive use of these assets and is responsible for the maintenance of these assets and thus has recorded the cost of these assets in the accompanying financial statements. Capital assets, with the exception of land and land improvements, works of art and historical treasures, construction work in progress, and certain intangible assets, are depreciated or amortized on a straight-line basis over their estimated useful lives, which ranges from 3 to 45 years. Library books, unless considered rare collections, are capitalized and depreciated over a 10-year period. Periodicals and subscriptions are expensed as purchased. Works of art and historical treasures are valued at cost, if purchased, or the fair market value at the date of donation, if contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Depreciation and amortization expense is shown separately in the Statement of Revenues, Expenses, and Changes in Net Position rather than being allocated among other categories of operating expenses.

***(j) Unearned Revenue***

Unearned revenue consists primarily of fees collected in advance for summer and fall terms and continuing education programs.

***(k) Compensated Absences***

Compensated absences are recognized when the right to receive the compensation is earned by the employees. Vacation is accrued on a monthly basis. The University uses an employee's current pay rate as of July 1, 2014 to calculate the liability for accrued compensated absences. The University employee's pay rates are based on length of service and job classifications.

***(l) Grants Refundable***

The University periodically receives contributions from the Federal government in support of its operation of the Federal Perkins and Nursing Loan programs, both Title IV Loan programs. The

federal government has the ability to terminate its support of these programs at any time and to request that the University return those contributions on a cumulative basis. Accordingly, the federal contributions received and retained by the University at year-end are considered liabilities of the University and are reflected as such in the accompanying Statement of Net Position.

***(m) Claims Liability for Losses and Loss Adjustment Expenses***

The claims liability for losses and loss adjustment expenses included in the aggregate discretely presented component units column of the financial statements includes California State University Risk Management Authority's (CSURMA) estimated ultimate cost of settling claims relating to events that have occurred on or before June 30, 2014. The liability includes the estimated amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported. The liability is also reduced by estimated amounts recoverable from the reinsurance that is related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. The liability is not discounted.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

In the estimate of the unpaid losses and loss adjustment expenses, CSURMA and its consulting actuary have employed methods and assumptions they considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future losses may deviate from those estimates.

***(n) Net Position***

The University's net position is classified into the following categories:

- Net Investment in Capital Assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and any related deferred outflows of resources.
- Restricted:

  Nonexpendable: Net position subject to externally imposed conditions that the University retains in perpetuity. Net position in this category consists of endowments held by the University or its related auxiliaries.

  Expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of the University or by the passage of time.

- Unrestricted: All other categories of net position. In addition, unrestricted net position may have legislative or bond indenture requirements associated with their use or may be designated for use by management of the University. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be

designated to support future operations in these areas. University housing programs are a primary example of operations that have unrestricted net position with designated uses.

### *(o) Classification of Revenues and Expenses*

The University considers operating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions and from other activities that are connected directly to the University's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB Statement No. 35. These nonoperating activities include the University's capital and noncapital appropriations from the State, financial aid, net investment income, noncapital gifts, interest expense, and capital grants and gifts.

The State appropriates funds to the University on an annual basis. The appropriations are, in turn, allocated among the campuses by the Office of the Chancellor. Appropriations are recognized as revenue in general when authorization is received and are reported as either noncapital appropriations when used to support general operations or capital appropriations when used for capital projects.

Student tuition and fee revenue, and sales and services of auxiliary enterprises, including revenues from student housing programs, are presented net of scholarships and fellowships applied to student accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are reflected as expenses.

### *(p) Other Postemployment Benefits*

The University's other postemployment benefit obligation included in the accompanying financial statements reflects the University's estimated funding liability of the State administered and sponsored plan as of the fiscal year ended. The State's actuary has employed methods and assumptions considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future amounts may deviate from those estimates.

### *(q) Grant Revenues and Expenses*

The University records grant revenue when all applicable grant eligibility requirements are met. Expenses are recorded as expenditures are incurred. Expenditure-driven grant revenue is recorded after the expenditures are incurred, in amounts equal to the expenditures.

### *(r) Internal Services Activities*

Certain institutional internal service providers offer goods and services to University departments, as well as to their external customers. These include activities such as copy centers, postal services, and telecommunications. All internal service activities to University departments have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the internal service sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

### *(s) Income Taxes*

The University is an agency of the State and is treated as a governmental entity for tax purposes. As such, the University is generally not subject to federal or state income taxes pursuant to IRC §115. However, the University remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded. If there is net income from any unrelated trade or business, such provision, in the opinion of management, is not material to the financial statements taken as a whole.

### *(t) Eliminations*

All significant nonexchange transactions between the University and the discretely presented component units have been eliminated from the total column and are separately presented in the eliminations column in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

### *(u) Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

## (3) Cash, Cash Equivalents, and Investments

The University's cash, cash equivalents, and investments as of June 30, 2014 are classified in the accompanying Statement of Net Position as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 4,074,000 |
| Restricted cash and cash equivalents | 90,000 |
| Total cash and cash equivalents | 4,164,000 |
| Short-term investments | 2,855,578,000 |
| Endowment investments | 16,218,000 |
| Other long-term investments | 340,935,000 |
| Total investments | 3,212,731,000 |
| Total cash, cash equivalents, and investments | $ 3,216,895,000 |

### *(a) Cash and Cash Equivalents*

At June 30, 2014, cash and cash equivalents consisted of demand deposits held at the State Treasury and commercial banks, and petty cash. Total cash and cash equivalents of $4,164,000 had a corresponding carrying balance with the State Treasury and commercial banks of $15,825,000 at June 30, 2014. The difference was primarily related to deposits in transit and outstanding checks.

Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis.

**Custodial Credit Risk for Deposits**

Custodial credit risk for deposits is the risk that in the event of the failure of the custodian, the deposits may not be returned to the University. The University deposits are maintained at financial institution that are Federal Deposit Insurance Corporation (FDIC) secured. As a result, custodial credit risk for deposits is remote.

***(b) Investments***

At June 30, 2014, the University's investment portfolio consists primarily of investments in the State of California SMIF and the CSU Consolidated Investment Pool. For the CSU Consolidated Investment Pool, separate accounting is maintained as to the amounts allocable to the various University funds and programs.

**Investment Policy**

State law and regulations require that surplus monies of the University must be invested. The primary objective of the University's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the University. The third objective is to return an acceptable yield. The University's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Section 16430 and Education Code Section 89724, subject to certain limitations. In general, the University's investment policy permits investments in obligations of the Federal and California state governments, certificates of deposit, high quality domestic corporate and fixed income securities, and certain other investment instruments.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The University's investment guidelines manage its interest rate risk. The guidelines include limits on the maximum maturity of any individual investment in the portfolio and average duration of the portfolio. The effective maturity date reflects a bond with features such as a call, put or reset date, and prepayment speed resulting in the maturity of a bond being less than the final maturity date. Duration is a measure of the sensitivity of the price of fixed income investment relative to changes in interest rates. The University manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Weighted average maturity is the average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount of the asset. As a result, the interest rate risk is remote. The weighted average maturity of the University's investment portfolio for each investment type as of June 30, 2014 is presented in the table on the following page.



(Continued)

## Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following table presents the fair value, weighted average maturity, and actual rating by investment type of the University's allocated share of the CSU Consolidated Investment Pool and the SMIF as of June 30, 2014:

| Investment type | Fair value | Weighted average maturity (in years) | Rating as of year-end | | | |
|---|---|---|---|---|---|---|
| | | | AAA | AA | A | Not rated |
| Money market | $ 31,629,000 | 0.06 | $ 1,087,000 | — | 21,306,000 | 9,236,000 |
| Repurchase agreements | 2,274,000 | — | — | — | 2,042,000 | 232,000 |
| Certificates of deposit | 180,184,000 | 0.66 | — | 18,093,000 | 162,091,000 | — |
| Commercial paper | 3,646,000 | 0.03 | — | — | 3,646,000 | — |
| U.S. agency securities | 742,877,000 | 1.55 | — | 742,877,000 | — | — |
| State of California: Surplus Money Investment Fund | 441,900,000 | 0.64 | — | — | — | 441,900,000 |
| Corporate and fixed income securities | 1,011,356,000 | 2.08 | 210,093,000 | 221,929,000 | 579,334,000 | — |
| U.S. Treasury securities | 774,713,000 | 1.58 | — | — | — | 774,713,000 |
| Municipal securities | 21,856,000 | 2.02 | — | 21,856,000 | — | — |
| Mortgage-backed securities | 2,296,000 | 7.62 | — | 2,296,000 | — | — |
| Total | $ 3,212,731,000 | | $ 211,180,000 | 1,007,051,000 | 768,419,000 | 1,226,081,000 |

By law, the University invests in low credit risk securities such as: U.S. government securities, securities of federally sponsored agencies, highly rated domestic corporate bonds, prime-rated commercial paper, repurchase and reverse repurchase agreements, banker's acceptance, and negotiable certificates of deposit. As a result, the credit risk is remote.

By law, the SMIF only invests in: U.S. government securities, securities of federally sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit, and loans to various bond funds.

## Concentration of Credit Risk

Concentration of credit risk rises as investments become concentrated relative to a portfolio characteristic such as issuance, issuer, market sector, counter-party, or sovereign nation and is best mitigated by diversification. The University's investment policy has concentration limits that provide sufficient diversification. As such, the concentration of credit risk is remote.

As of June 30, 2014, the following investments (excluding U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the University's investment portfolio: Federal National Mortgage Association notes ($254,651,000 or 7.9%), and Federal Home Loan Mortgage Corporation ($227,281,000 or 7.1%).

**Risk and Uncertainties**

The University may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

The University, through the CSU Consolidated Investment Pool, invests in securities with contractual cash flows, such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

**Custodial Credit Risk for Investments**

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. Substantially all of the University's securities are registered in the University's name by the custodial bank as an agent for the University. As a result, custodial credit risk for such investments is remote.



(Continued)

**Discretely Presented Component Units' Investments**

Investments of the discretely presented component units at fair value consisted of the following at June 30, 2014:

| | Current | Noncurrent | Total |
|---|---|---|---|
| State of California Local Agency Investment Fund | $ 174,654,000 | 2,073,000 | 176,727,000 |
| CSU Consolidated Investment Pool | 77,331,000 | 734,000 | 78,065,000 |
| Money market funds | 64,745,000 | 12,220,000 | 76,965,000 |
| Certificates of deposit | 16,605,000 | 27,990,000 | 44,595,000 |
| Mutual funds | 151,937,000 | 897,835,000 | 1,049,772,000 |
| Exchange traded funds | — | 25,290,000 | 25,290,000 |
| Common fund | 1,595,000 | 20,292,000 | 21,887,000 |
| Debt securities | 25,837,000 | 110,469,000 | 136,306,000 |
| Equity securities | 35,332,000 | 231,725,000 | 267,057,000 |
| Fixed income securities | 17,130,000 | 225,732,000 | 242,862,000 |
| Partnership interests | 6,288,000 | 29,671,000 | 35,959,000 |
| Alternative investments | 937,000 | 80,562,000 | 81,499,000 |
| Hedge funds | 1,061,000 | 21,828,000 | 22,889,000 |
| Real estate | 955,000 | 41,527,000 | 42,482,000 |
| Agency pass-through | 969,000 | — | 969,000 |
| Others | 912,000 | 43,726,000 | 44,638,000 |
| Total | $ 576,288,000 | 1,771,674,000 | 2,347,962,000 |

For additional information regarding the investments of the individual discretely presented component units, refer to their separately issued financial statements.

Approximately $40.5 million of the investments reported by the University in the Statement of Net Position at June 30, 2014 are invested under contractual agreements on behalf of the discretely presented component units of the University.



(Continued)

## (4) Accounts Receivable

Accounts receivable of the University at June 30, 2014 consisted of the following:

| | Current | Noncurrent | Total |
|---|---|---|---|
| State appropriations | $ 1,581,000 | 16,914,000 | 18,495,000 |
| State appropriation – SPWB Lease Revenue Bond program | 3,641,000 | 278,158,000 | 281,799,000 |
| Auxiliary organizations | 36,091,000 | 2,542,000 | 38,633,000 |
| Student accounts | 43,451,000 | — | 43,451,000 |
| Government grants and contracts | 20,294,000 | — | 20,294,000 |
| Others | 45,738,000 | 994,000 | 46,732,000 |
| | 150,796,000 | 298,608,000 | 449,404,000 |
| Less allowance for doubtful accounts | (6,070,000) | — | (6,070,000) |
| Total | $ 144,726,000 | 298,608,000 | 443,334,000 |

## (5) Leases Receivable

The University has entered into capital lease agreements with certain discretely presented component units to lease existing and newly constructed facilities to the discretely presented component units. Interest rates range from 1.50% to 5.55%. Lease payments are due twice a year on May 1 and November 1.

Under the lease agreements, lease payments are due to the University as follows:

| | |
|---|---|
| Fiscal year ending: | |
| 2015 | $ 29,305,000 |
| 2016 | 26,639,000 |
| 2017 | 26,930,000 |
| 2018 | 27,014,000 |
| 2019 | 27,039,000 |
| 2020–2024 | 144,956,000 |
| 2025–2029 | 145,181,000 |
| 2030–2034 | 114,458,000 |
| 2035–2039 | 36,895,000 |
| 2040–2044 | 22,465,000 |
| 2045–2049 | 4,495,000 |
| Total minimum lease payments to be received | 605,377,000 |
| Less amounts representing interest | (235,020,000) |
| Present value of future minimum lease payments to be received | 370,357,000 |
| Less current portion | (11,442,000) |
| Lease receivable, net of current portion | $ 358,915,000 |



(Continued)

## (6) Notes Receivable

The University has entered into note agreements with certain discretely presented component units to finance existing and newly constructed facilities for the discretely presented component units. Interest rates range from 0.39% to 5.45%. Note payments are due twice a year, on May 1 and November 1.

Under the note agreements, note payments are due to the University as follows:

| | |
|---|---|
| Fiscal year ending: | |
| 2015 | $ 63,526,000 |
| 2016 | 32,794,000 |
| 2017 | 19,302,000 |
| 2018 | 19,308,000 |
| 2019 | 19,317,000 |
| 2020–2024 | 93,563,000 |
| 2025–2029 | 87,268,000 |
| 2030–2034 | 72,738,000 |
| 2035–2039 | 43,478,000 |
| 2040–2044 | 6,497,000 |
| Total minimum note payments to be received | 457,791,000 |
| Less amounts representing interest | (157,105,000) |
| Present value of future minimum note payments to be received | 300,686,000 |
| Less current portion | (51,319,000) |
| Notes receivable, net of current portion | $ 249,367,000 |



(Continued)

## (7) Capital Assets

Capital assets activity for the University for the year ended June 30, 2014 consisted of the following:

| | Beginning balance | Additions | Retirements | Transfers | Ending balance |
|---|---|---|---|---|---|
| Nondepreciable/nonamortizable capital assets: | | | | | |
| Land and land improvements | $ 256,976,000 | 4,979,000 | — | 35,000 | 261,990,000 |
| Works of art and historical treasures | 28,697,000 | 1,647,000 | (36,000) | 33,000 | 30,341,000 |
| Construction work in progress | 553,977,000 | 393,143,000 | (1,830,000) | (475,986,000) | 469,304,000 |
| Intangible assets | 6,691,000 | 7,606,000 | (97,000) | (3,171,000) | 11,029,000 |
| Total nondepreciable/ nonamortizable capital assets | 846,341,000 | 407,375,000 | (1,963,000) | (479,089,000) | 772,664,000 |
| Depreciable/amortizable capital assets: | | | | | |
| Buildings and building improvements | 10,070,239,000 | 88,824,000 | (15,794,000) | 432,978,000 | 10,576,247,000 |
| Improvements other than buildings | 547,003,000 | 8,367,000 | (25,000) | 16,227,000 | 571,572,000 |
| Infrastructure | 974,641,000 | 12,283,000 | (6,018,000) | 16,803,000 | 997,709,000 |
| Personal property: | | | | | |
| Equipment | 712,195,000 | 47,839,000 | (24,587,000) | 9,846,000 | 745,293,000 |
| Library books and materials | 387,838,000 | 6,335,000 | (2,518,000) | — | 391,655,000 |
| Intangible assets | 312,454,000 | 5,123,000 | (3,040,000) | 3,235,000 | 317,772,000 |
| Total depreciable/ amortizable capital assets | 13,004,370,000 | 168,771,000 | (51,982,000) | 479,089,000 | 13,600,248,000 |
| Total cost | 13,850,711,000 | 576,146,000 | (53,945,000) | — | 14,372,912,000 |
| Less accumulated depreciation/ amortization: | | | | | |
| Buildings and building improvements | (4,246,382,000) | (303,127,000) | 1,294,000 | — | (4,548,215,000) |
| Improvements other than buildings | (380,808,000) | (23,036,000) | — | — | (403,844,000) |
| Infrastructure | (386,783,000) | (31,655,000) | 4,182,000 | — | (414,256,000) |
| Personal property: | | | | | |
| Equipment | (509,386,000) | (47,312,000) | 22,280,000 | — | (534,418,000) |
| Library books and materials | (348,642,000) | (8,442,000) | 2,592,000 | — | (354,492,000) |
| Intangible assets | (289,594,000) | (10,225,000) | 2,444,000 | — | (297,375,000) |
| Total accumulated depreciation/ amortization | (6,161,595,000) | (423,797,000) | 32,792,000 | — | (6,552,600,000) |
| Net capital assets | $ 7,689,116,000 | 152,349,000 | (21,153,000) | — | 7,820,312,000 |



(Continued)

Capital assets activity of the discretely presented component units of the University for the year ended June 30, 2014 consisted of the following:

| | Beginning balance | Additions | Retirements | Transfers | Ending balance |
|---|---|---|---|---|---|
| Nondepreciable/nonamortizable capital assets: | | | | | |
| Land and land improvements | $ 105,671,000 | 13,630,000 | (7,823,000) | 267,000 | 111,745,000 |
| Works of art and historical treasures | 8,264,000 | 44,000 | — | 93,000 | 8,401,000 |
| Construction work in progress | 14,077,000 | 14,236,000 | (3,269,000) | (15,153,000) | 9,891,000 |
| Intangible assets | 5,082,000 | — | — | — | 5,082,000 |
| Total nondepreciable/ nonamortizable capital assets | 133,094,000 | 27,910,000 | (11,092,000) | (14,793,000) | 135,119,000 |
| Depreciable/amortizable capital assets: | | | | | |
| Buildings and building improvements | 754,338,000 | 38,698,000 | (18,530,000) | 7,356,000 | 781,862,000 |
| Improvements other than buildings | 114,451,000 | 5,390,000 | (10,162,000) | 4,830,000 | 114,509,000 |
| Infrastructure | 67,575,000 | — | (11,000) | — | 67,564,000 |
| Personal property: | | | | | |
| Equipment | 187,636,000 | 17,694,000 | (15,314,000) | 5,461,000 | 195,477,000 |
| Library books and materials | 3,018,000 | — | — | (3,018,000) | — |
| Intangible assets | 10,790,000 | 446,000 | (729,000) | 179,000 | 10,686,000 |
| Total depreciable/ amortizable capital assets | 1,137,808,000 | 62,228,000 | (44,746,000) | 14,808,000 | 1,170,098,000 |
| Total cost | 1,270,902,000 | 90,138,000 | (55,838,000) | 15,000 | 1,305,217,000 |
| Less accumulated depreciation/ amortization: | | | | | |
| Buildings and building improvements | (248,426,000) | (26,818,000) | 4,394,000 | (337,000) | (271,187,000) |
| Improvements other than buildings | (56,073,000) | (5,751,000) | 8,203,000 | (258,000) | (53,879,000) |
| Infrastructure | (14,067,000) | (1,689,000) | — | — | (15,756,000) |
| Personal property: | | | | | |
| Equipment | (147,746,000) | (13,265,000) | 15,423,000 | 595,000 | (144,993,000) |
| Intangible assets | (7,755,000) | (806,000) | 579,000 | (15,000) | (7,997,000) |
| Total accumulated depreciation/ amortization | (474,067,000) | (48,329,000) | 28,599,000 | (15,000) | (493,812,000) |
| Net capital assets | $ 796,835,000 | 41,809,000 | (27,239,000) | — | 811,405,000 |



(Continued)

For additional information regarding the capital assets of the individual discretely presented component units of the University, refer to their separately issued financial statements.

## (8) Lease Obligations

The University is obligated under various capital and operating leases and installment purchase agreements for the acquisition of equipment and facility rentals. A substantial amount of the capital leases is a result of the University's participation with the State in the State Public Works Board (SPWB) Lease Revenue Bond program. The University has participated in this program since 1986 in connection with the construction of campus facilities and related equipment. Current California law permits the SPWB to authorize the sale of bonds to construct certain state facilities if there is a revenue stream that can be pledged to repay the obligations. The process in general is described in brief as follows:

- The University and the State of California Department of Finance agree to the construction of one or more facilities to be funded by SPWB bonds. The projects are approved as part of the University's capital outlay budget.
- The SPWB approves the sale of bonds for the project(s) and the University agrees to execute certain legal documents in connection with the financing, including a site lease to the SPWB, a construction agreement to construct the facility for the SPWB, and a facility lease to lease the completed facility from the SPWB for annual rental payments.
- Prior to the execution of the facility lease, the University receives a short-term loan from the State of California Pooled Money Investment Board to provide working capital for initial phases of the construction and in some cases the entire construction.
- Generally, during the construction phase of the project, the bonds are sold by the SPWB, the construction loan is repaid, and site leases and facility leases are executed requiring semiannual lease payments, beginning upon completion of the facilities, by the Trustees that are used to pay principal and interest on the bonds.
- As part of the annual budget process, the State of California Department of Finance augments the University's operating budget to provide additional funds for the required lease payments.

The capital lease obligation related to the SPWB Lease Revenue Bond Program amounted to $1,132,015,000. The University also enters into capital leases with financial institutions and via commercial paper issued by the California State University Institute (the Institute), a discretely presented component unit of the University.

Overall capital leases consist primarily of leases of campus facilities, but also include certain computer, energy efficiency, and telecommunications equipment. Total assets related to capital leases have a carrying value of $808,064,000 at June 30, 2014. The leases bear interest at rates ranging from 2.00% to 12.62% and have terms expiring in various years through 2041.

Operating leases consist primarily of leases for the use of real property. The University's operating leases expire in various fiscal years through 2099. The leases can be canceled if the State does not provide adequate funding. Some of these leases are with related auxiliary organizations for the rental of office space used in the operations of the University. Total operating lease expenditures for the year ended

June 30, 2014 were $27,387,000 of which $15,117,000 was paid to related discretely presented component units.

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year as of June 30, 2014 are as follows:

| | Capital leases | Operating leases |
|---|---|---|
| Year ending June 30: | | |
| 2015 | $ 132,459,000 | 23,737,000 |
| 2016 | 132,086,000 | 17,625,000 |
| 2017 | 127,679,000 | 16,501,000 |
| 2018 | 127,196,000 | 13,842,000 |
| 2019 | 103,219,000 | 10,551,000 |
| 2020–2024 | 439,038,000 | 30,890,000 |
| 2025–2029 | 385,756,000 | 16,373,000 |
| 2030–2034 | 347,503,000 | 9,941,000 |
| 2035–2039 | 149,000,000 | 3,031,000 |
| 2040–2044 | 4,775,000 | 968,000 |
| 2045–2049 | — | 397,000 |
| 2050–2054 | — | 178,000 |
| 2055–2059 | — | 32,000 |
| 2060–2099 | — | 257,000 |
| Total minimum lease payments | 1,948,711,000 | $ 144,323,000 |
| Less amount representing interest | (731,807,000) | |
| Present value of future minimum lease payments | 1,216,904,000 | |
| Unamortized net premium | 33,370,000 | |
| Total capital lease obligation | 1,250,274,000 | |
| Less current portion | (70,042,000) | |
| Capital lease obligation, net of current portion | $ 1,180,232,000 | |

## (9) Long-Term Debt Obligations

### *(a) General Obligation Bond Program*

The General Obligation Bond program of the State has provided capital outlay funds for the three segments of California Higher Education through voter-approved bonds. Each of the approved bond programs provides a pool of available funds, which is allocated on a project-by-project basis among the University, the University of California, and the Community Colleges. Financing provided to the University through State of California General Obligation Bonds is not allocated to the University by the State. This debt remains the obligation of the State and is funded by state tax revenues. Accordingly, such debt is not reflected in the accompanying financial statements. The total General

Obligation Bond debt carried by the State related to the University projects is approximately $2,604,535,000 as of June 30, 2014.

***(b) Revenue Bond Programs***

The Revenue Bond Act of 1947 provides the Trustees with the ability to issue revenue bonds to fund specific self-supporting programs. The statute has enabled the Trustees to finance student housing, student unions, parking facilities, health facilities, continuing education facilities, and designated auxiliary organization facilities.

The Systemwide Revenue Bond program, formerly the Housing Revenue Bond program, was approved by the Trustees in fiscal year 2003. This program provides funding for various construction projects, including student residence and dining halls facilities, continuing education buildings, student unions, parking facilities, health facilities, and auxiliary organization facilities at certain campuses within the University system as specified by the individual bond documents. It is designed to provide lower cost debt and greater flexibility to finance revenue bond projects at the University. Rather than relying on specific pledged revenues to support specific debt obligations, this program pools several sources of revenue as the pledge for the revenue-producing projects. The University's total outstanding balance of revenue bond indebtedness under the Systemwide Revenue Bond program was $3,507,043,000 at June 30, 2014.

The University has pledged future continuing education, healthcare facilities, housing, parking, and student union revenues plus designated auxiliary revenues, net of maintenance and operation expenses before extraordinary items (net income available for debt service), to repay $4,204,868,000 in Systemwide Revenue Bonds issued through fiscal year 2014.

***(c) Bond Anticipation Notes (BANs)***

The Trustees have authorized the issuance of BANs to provide short-term financing to the University System for certain projects. The BANs are purchased by the Institute with proceeds from the commercial paper issued by the Institute. The BANs are generally issued for periods of up to three years in anticipation of issuing permanent revenue bonds at a future date. State law was amended in 2008 to allow BAN maturities to extend beyond three years and the maturity date for the issuance of BANs to be determined by the Trustees. In fiscal year 2010, the Trustees authorized three projects for financing with maturities beyond three years and they will remain in BANs until the debt is retired. BAN interest is variable and changes based upon the cost of the Institute's commercial paper program. The maximum and minimum weighted average interest rates for the year ended June 30, 2014 were 0.17% and 0.07%, respectively. The University's BANs totaled $168,511,000 at June 30, 2014. The not-to-exceed amounts related to the outstanding amounts totaled $254,225,000 of which $71,899,000 has not been issued and $13,815,000 has been issued and paid back.



(Continued)

Long-term debt obligations of the University as of June 30, 2014 consisted of the following:

| Description | Interest rate percentage | Final maturity date | Original issue amount | Amount outstanding |
|---|---|---|---|---|
| Systemwide Revenue Bonds, Housing Series J – Q | 3.00% | 2019/20–2021/22 | $ 17,273,000 | 5,663,000 |
| Systemwide Revenue Bonds, Series 2004A | 3.50–5.25 | 2018/19–2026/27 | 57,435,000 | 34,665,000 |
| Systemwide Revenue Bonds, Series 2005A | 3.75–5.00 | 2016/17–2037/38 | 658,635,000 | 373,605,000 |
| Systemwide Revenue Bonds, Series 2005B | 5.00 | 2015/16–2021/22 | 134,805,000 | 61,380,000 |
| Systemwide Revenue Bonds, Series 2005C | 4.50–5.25 | 2017/18–2038/39 | 540,900,000 | 365,800,000 |
| Systemwide Revenue Bonds, Series 2007A | 4.00–5.00 | 2024/25–2044/45 | 254,770,000 | 239,395,000 |
| Systemwide Revenue Bonds, Series 2007B | 5.27–5.55 | 2027/28–2037/38 | 13,165,000 | 11,375,000 |
| Systemwide Revenue Bonds, Series 2007C | 5.00 | 2020/21–2028/29 | 63,275,000 | 50,875,000 |
| Systemwide Revenue Bonds, Series 2007D | 4.00–5.00 | 2037/38 | 80,360,000 | 73,105,000 |
| Systemwide Revenue Bonds, Series 2008A | 3.50–5.00 | 2022/23–2039/40 | 375,160,000 | 342,945,000 |
| Systemwide Revenue Bonds, Series 2009A | 3.50–6.00 | 2015/16–2040/41 | 465,365,000 | 441,265,000 |
| Systemwide Revenue Bonds, Series 2010A | 3.00–5.00 | 2019/20–2031/32 | 146,950,000 | 127,255,000 |
| Systemwide Revenue Bonds, Series 2010B | 5.45–6.48 | 2035/36–2041/42 | 205,145,000 | 205,145,000 |
| Systemwide Revenue Bonds, Series 2011A | 2.50–5.25 | 2020/21–2042/43 | 429,855,000 | 413,815,000 |
| Systemwide Revenue Bonds, Series 2012A | 0.39–5.00 | 2021/22–2042/43 | 436,220,000 | 435,550,000 |
| Systemwide Revenue Bonds, Series 2012B | 2.79–4.17 | 2036/37 | 16,700,000 | 16,350,000 |
| Systemwide Revenue Bonds, Series 2013A | 1.50–5.00 | 2024/25 – 2026/27 | 308,855,000 | 308,855,000 |
| | | | 4,204,868,000 | 3,507,043,000 |
| Bond Anticipation Notes | Variable | 2014/15 – 2018/19 | 182,326,000 | 168,511,000 |
| Others | Variable | Various | 122,057,000 | 72,898,000 |
| Total | | | $ 4,509,251,000 | 3,748,452,000 |



(Continued)

| Description | Interest rate percentage | Final maturity date | Original issue amount | Amount outstanding |
|---|---|---|---|---|
| Unamortized bond net premium | | | | $ 156,073,000 |
| Total long-term debt | | | | 3,904,525,000 |
| Less current portion | | | | (260,601,000) |
| Long-term debt, net of current portion | | | | $ 3,643,924,000 |

Long-term debt principal and interest are payable and mature in the following fiscal years:

| | Principal | Interest |
|---|---|---|
| 2015 | $ 260,601,000 | 173,866,000 |
| 2016 | 122,824,000 | 169,315,000 |
| 2017 | 115,442,000 | 164,380,000 |
| 2018 | 120,135,000 | 159,281,000 |
| 2019 | 124,397,000 | 153,958,000 |
| 2020–2024 | 651,890,000 | 676,577,000 |
| 2025–2029 | 736,617,000 | 505,922,000 |
| 2030–2034 | 805,920,000 | 309,247,000 |
| 2035–2039 | 610,830,000 | 125,581,000 |
| 2040–2044 | 195,400,000 | 17,795,000 |
| 2045–2049 | 4,396,000 | 99,000 |
| | $ 3,748,452,000 | 2,456,021,000 |

Long-term debt obligations of the individual discretely presented component units have been issued to purchase or construct facilities for University-related uses. For additional information regarding long-term debt obligations of the individual discretely presented auxiliary organizations, refer to their separately issued financial statements.

## (10) Advanced Refundings

### *(a) Current Year Refundings*

In July 2013, the University partially defeased certain (Series 2005A and 2005C) Systemwide Revenue Bonds by placing a portion of the proceeds from the issuance of the Systemwide Revenue Bonds Series 2013A refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The proceeds from the Series 2013A refunding bonds were used to purchase U.S. federal, state, and local government securities that were placed in escrow accounts. The investments and fixed earnings from the investments are considered sufficient to fully service the defeased debt until the debt is called or matured. These transactions will reduce the University's total financing cost by approximately $22,391,000 over the life of the bonds. The economic gain

(difference between net present values of the debt service payments on the old debt and new debt) from these transactions was approximately $19,188,000. Accordingly, the refunded bonds have been considered defeased and, therefore, removed as a liability from the accompanying financial statements. The amount of defeased bonds outstanding as of date of refunding totaled $317,130,000.

The unamortized loss on the refundings of $44,680,000 was included in deferred outflows of resources in the Statement of Net Position. The loss represents the difference between the proceeds of the new bond issue, as adjusted for premium or discount, and the principal amounts of the bonds being defeased. The loss is being amortized over the life of the new bond issuance or the old bond issuance, whichever is shorter.

## (11) Long-Term Liabilities Activity

Long-term liabilities activity of the University for the year ended June 30, 2014 was as follows:

| | Beginning balance | Additions | Reductions | Ending balance | Current portion |
|---|---|---|---|---|---|
| Accrued compensated absences | $ 205,815,000 | 134,513,000 | (122,085,000) | 218,243,000 | 119,690,000 |
| Capitalized lease obligations (note 8) | 1,145,638,000 | 177,397,000 | (72,761,000) | 1,250,274,000 | 70,042,000 |
| Long-term debt obligations (note 9): | | | | | |
| Systemwide Revenue Bonds | 3,604,708,000 | 308,863,000 | (406,528,000) | 3,507,043,000 | 96,090,000 |
| Bond Anticipation Notes | 27,055,000 | 153,271,000 | (11,815,000) | 168,511,000 | 153,541,000 |
| Others | 80,352,000 | 5,291,000 | (12,745,000) | 72,898,000 | 10,970,000 |
| | 3,712,115,000 | 467,425,000 | (431,088,000) | 3,748,452,000 | 260,601,000 |
| Unamortized bond premium | 133,989,000 | 42,137,000 | (20,053,000) | 156,073,000 | — |
| Total long-term debt obligations | 3,846,104,000 | 509,562,000 | (451,141,000) | 3,904,525,000 | 260,601,000 |
| Total long-term liabilities | $ 5,197,557,000 | 821,472,000 | (645,987,000) | 5,373,042,000 | 450,333,000 |



(Continued)

Long-term liabilities activity of the aggregated discretely presented component units of the University for the year ended June 30, 2014 was as follows:

| | Beginning balance | Additions | Reductions | Ending balance | Current portion |
|---|---|---|---|---|---|
| Accrued compensated absences | $ 17,525,000 | 12,103,000 | (12,083,000) | 17,545,000 | 14,074,000 |
| Claims liability for losses and loss adjustment expenses | 88,157,000 | 53,198,000 | (40,989,000) | 100,366,000 | 32,971,000 |
| Capitalized lease obligations | 385,824,000 | 11,777,000 | (21,675,000) | 375,926,000 | 15,906,000 |
| Long-term debt obligations: | | | | | |
| Revenue bonds | 45,535,000 | — | (5,025,000) | 40,510,000 | 2,253,000 |
| Commercial paper | 83,176,000 | 811,825,000 | (713,851,000) | 181,150,000 | 160,895,000 |
| Notes payable | 214,090,000 | 46,748,000 | (22,010,000) | 238,828,000 | 7,110,000 |
| Others | 103,026,000 | 6,978,000 | (7,259,000) | 102,745,000 | 2,284,000 |
| | 445,827,000 | 865,551,000 | (748,145,000) | 563,233,000 | 172,542,000 |
| Unamortized bond premium | 9,697,000 | 381,000 | (618,000) | 9,460,000 | — |
| Total long-term debt obligations | 455,524,000 | 865,932,000 | (748,763,000) | 572,693,000 | 172,542,000 |
| Total long-term liabilities | $ 947,030,000 | 943,010,000 | (823,510,000) | 1,066,530,000 | 235,493,000 |

For additional information regarding the long-term liabilities of the individual discretely presented component units of the University, refer to their separately issued financial statements.

## (12) Pension Plan and Postretirement Benefits

### *(a) Pension Plan*

#### Plan Description

The University, as an agency of the State, contributes to CalPERS. The State's plan with CalPERS is an agent multiple-employer defined-benefit pension plan and CalPERS functions as an investment and administrative agent for its members. For the University, the plan acts as a cost-sharing multiple-employer defined-benefit pension plan, which provides a defined-benefit pension and postretirement program for substantially all eligible University employees. The plan also provides survivor, death, and disability benefits. Eligible employees are covered by the Public Employees' Medical and Hospital Care Act (PEMHCA) for medical benefits.

CalPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the California Public Employees' Retirement System Executive Office, 400 P Street, Sacramento, CA 95814.



(Continued)

**Funding Policy**

University personnel are required to contribute 5.0% of their annual earnings in excess of $513 per month to CalPERS. Effective January 1, 2013, all new employees that are considered "new members" to CalPERS are required to contribute 50% of the normal cost for their category (e.g., State Miscellaneous Member is 6.0% of their annual earnings per month to CalPERS). The University is required to contribute at an actuarially determined rate; the current rate for State Miscellaneous is approximately 24.3% of annual covered payroll. The contribution requirements of the plan members are established and may be amended by CalPERS. The contractual maximum contribution required for the University is determined by the annual CalPERS compensation limit(s) which are based on provisions of Assembly Bill (AB) 340 and the Internal Revenue Code (IRC) 401 (a) 17 limits.

The University's contributions to CalPERS for the most recent three fiscal years were equal to the required contributions and were as follows:

| | |
|---|---|
| 2012 | $ 411,926,000 |
| 2013 | 462,607,000 |
| 2014 | 493,922,000 |

***(b) Postretirement Healthcare Plan***

In accordance with GASB pronouncements, the University is required to recognize the cost of other postemployment benefits (OPEB) on an accrual basis.

**Plan Description**

The State provides retiree healthcare benefits to statewide employees, including the University employees, through the programs administered by CalPERS. The State's substantive plan represents a substantive single-employer defined benefit OPEB Plan, which includes medical and prescription drug benefits (collectively, healthcare benefits) to the retired University employees. The University provides dental benefits to eligible University's retirees. Eligible retirees receive healthcare and dental benefits upon retirement at age 50 with 5 years of service credit.

For healthcare benefits, CalPERS offers Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), and Exclusive Provider Organizations (EPOs) (limited to members in certain California counties); for dental benefits, a Dental Maintenance Organization (DMO) and dental indemnity plans to the University's retirees. Health plans offered, covered benefits, monthly rates, and copayments are determined by the CalPERS Board, which reviews health plan contracts annually.

The contribution requirements of retirees and the State are established and may be amended by the State legislature. For healthcare benefits, the State makes a contribution toward the retiree's monthly health premiums, with the retirees covering the difference between the State's contribution and the actual healthcare premium amount. The State contribution is normally established through collective bargaining agreements. No retiree contribution is required for dental benefits.

### Funding Policy

For healthcare benefits, responsibility for funding the cost of the employer share of premiums is apportioned between the State and the University based on "billable" and "nonbillable" accounts. Billable accounts have special revenue sources such as fees, licenses, penalties, assessments, and interest, which offset the costs incurred by a State department during the year. The University reimburses the State for retiree's health benefit costs allocated to billable accounts but not for costs allocated to nonbillable accounts. The University is responsible for funding the costs of the billable accounts on a pay-as-you-go basis as part of the statewide general administrative costs charged to the University. The State is responsible for funding the cost of the employer share of healthcare premiums of retirees for all nonbillable accounts.

The University is responsible for paying the cost of dental benefits for all University retirees using funds provided by the State through general fund appropriations. The University makes payments directly to Delta Dental for the retiree's monthly dental premiums. The University is paying these benefits on a pay-as-you-go basis.

### Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the total annual required contribution (ARC) for the University's allocated portion of the postretirement healthcare plan, the amount contributed to the plan by the University, and changes in the University's net OPEB obligation (NOO) for the fiscal years ended 2014, 2013, and 2012 :

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Annual required contribution (ARC): | | | |
| Billable accounts | $ 38,942,000 | 35,602,000 | 32,802,000 |
| Nonbillable accounts (dental only) | 40,057,000 | 40,055,000 | 39,710,000 |
| Total ARC | 78,999,000 | 75,657,000 | 72,512,000 |
| Contributions: | | | |
| Billable accounts | (14,584,000) | (13,175,000) | (12,385,000) |
| Nonbillable accounts (dental only) | (16,420,000) | (16,051,000) | (16,085,000) |
| Total contributions | (31,004,000) | (29,226,000) | (28,470,000) |
| Increase in net OPEB obligation (NOO) | 47,995,000 | 46,431,000 | 44,042,000 |
| NOO – beginning of year | 219,018,000 | 172,587,000 | 128,545,000 |
| NOO – end of year: | | | |
| Billable accounts | 127,308,000 | 102,950,000 | 80,523,000 |
| Nonbillable accounts (dental only) | 139,705,000 | 116,068,000 | 92,064,000 |
| Total NOO | $ 267,013,000 | 219,018,000 | 172,587,000 |
| Percentage of annual OPEB cost contributed during the years ended June 30, 2014, 2013 and 2012 | 39.2% | 38.6% | 39.3% |



(Continued)

**Actuarial Methods and Assumptions and Plan Funding Information**

As an agency of the State, the University was included in the State's OPEB actuarial study. The analysis of the statewide ARC by accounts is performed by the State Controller's Office (SCO) and a portion related to billable accounts is allocated to the University. Since the ARC allocated by the SCO does not provide a breakdown of the ARC for health and dental benefits separately, the ARC for the nonbillable accounts, which related only to dental benefits, was estimated based on dental contributions as a percentage of the total OPEB contributions.

Projections of benefits for financial statement reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the State and the plan members to that point. The actuarial methods and assumptions used are consistent with a long-term perspective. In the June 30, 2013 actuarial valuation, the individual entry age normal cost method was used. The actuarial assumptions included a 4.25% investment rate of return, and 4.25% discount rate. Both rates included a 2.75% annual inflation assumption. Annual wage inflation is assumed to be 3.00%. The unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

Funding progress information specifically related to the University's portion of the statewide OPEB plan is not available. For more details about the actuarial methods and assumptions used by the State as well as the statewide plans' funding progress and status, refer to the State of California's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended 2014.

## (13) Claims Liability for Losses and Loss Adjustment Expenses

The University and certain auxiliary organizations have established the CSURMA, a discretely presented component unit of the University, to centrally manage workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, and other risk-related programs. The claims liability included in the discretely presented component unit column reflects the estimated ultimate cost of settling claims related to events that have occurred on or before June 30, 2014. The liability includes estimated amounts that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not yet been reported. The liability is also reduced by estimated amounts recoverable from the reinsurer that are related to the liabilities for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. Although considerable variability is inherent in such estimates, management believes that the liability is a reasonable estimate at June 30, 2014.

The information of the change in claims liability for losses and loss adjustment expenses may be obtained from the separate financial statements issued for CSURMA.

## (14) Commitments and Contingencies

The State is a defendant in multiple lawsuits involving University matters not covered by the CSURMA as discussed in note 13. Management of the University is of the opinion that the liabilities, if any, arising from litigation will not have a material effect on the financial position of the University.

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such reviews would not have a material effect on the financial position of the University.

Authorized but unexpended expenditures for construction projects as of June 30, 2014 totaled $265,118,000. These expenditures will be funded primarily by State appropriations and bond proceeds.

In order to secure access to natural gas and electricity used for normal operation, the University participates in forward purchase contracts of natural gas and electricity operated by the Department of General Service and Shell Energy North America, respectively. The University's obligation under these special purchase arrangements requires it to purchase an estimated total of $22,728,000 and $21,195,000 of natural gas and electricity at fixed prices through June 2017 and December 2015, respectively. The University estimates that the special purchase contracts in place represent approximately 28.0% and 13.5% of its total annual natural gas and electricity expenses, respectively.

## (15) Classification of Operating Expenses

The University has elected to report operating expenses by functional classification in the Statement of Revenues, Expenses, and Changes in Net Position, and to provide the natural classification of those expenses as an additional disclosure. For the year ended June 30, 2014, operating expenses by natural classification consisted of the following:

| | Salaries | Benefits | Scholarships and fellowships | Supplies and other services | Depreciation and amortization | Total |
|---|---|---|---|---|---|---|
| Functional classification: | | | | | | |
| Instruction | $ 1,455,211,000 | 598,769,000 | — | 196,238,000 | — | 2,250,218,000 |
| Research | 20,213,000 | 7,752,000 | — | 17,341,000 | — | 45,306,000 |
| Public service | 29,596,000 | 7,962,000 | — | 16,276,000 | — | 53,834,000 |
| Academic support | 328,708,000 | 145,603,000 | — | 157,770,000 | — | 632,081,000 |
| Student services | 345,835,000 | 157,785,000 | — | 193,861,000 | — | 697,481,000 |
| Institutional support | 346,344,000 | 160,130,000 | — | 179,585,000 | — | 686,059,000 |
| Operation and maintenance of plant | 186,267,000 | 104,416,000 | — | 289,766,000 | — | 580,449,000 |
| Student grants and scholarships | — | — | 857,856,000 | — | — | 857,856,000 |
| Auxiliary enterprise expenses | 69,185,000 | 51,877,000 | — | 186,363,000 | — | 307,425,000 |
| Depreciation and amortization | — | — | — | — | 423,797,000 | 423,797,000 |
| Total | $ 2,781,359,000 | 1,234,294,000 | 857,856,000 | 1,237,200,000 | 423,797,000 | 6,534,506,000 |



(Continued)

## (16) Transactions with Related Entities

The University is an agency of the State and receives about 34.4% of total revenues through state appropriations. State appropriations allocated to the University aggregated approximately $2,347,651,000 for the year ended June 30, 2014. State appropriations receivable aggregated $300,294,000 at June 30, 2014.

## (17) Subsequent Events

In August 2014, the University issued its Systemwide Revenue Bonds Series 2014A with a par amount of $747,740,000 and net proceeds of $850,450,000. The proceeds were used to refund certain maturities of Systemwide Revenue Bonds Series 2004A, 2005A, and 2005C of $496,377,000, fund new capital projects of $178,468,000, payment of Bond Anticipation Notes of $153,168,000, refund outstanding bond indebtedness issued by the discretely presented component unit of $2,896,000, capitalized interest of $18,541,000, and cost of issuance of $1,000,000.

# COMMITTEE ON AUDIT

## Single Audit Reports of Federal Funds

## Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

George Ashkar
Assistant Vice Chancellor/Controller
Financial Services

## Summary

Federal awards received by the California State University (CSU), including student financial aid, are subject to both compliance and internal control audit procedures as required by Office of Management and Budget Circular A-133.

The CSU A-133 Single Audit Reports were issued in mid-October with an unmodified (i.e., clean) opinion, and are included as an attachment to this item. There was one audit finding (2014-001), which was not a material weakness, relating to internal controls over federal procurement and suspension and debarment requirements at a campus. Corrective action is in progress and a status update will be provided at the board meeting in March 2015.

In summary, the fiscal year ending June 30, 2014 was a successful year from an audit perspective. Representatives from KPMG, the Systemwide audit firm, will be present to answer questions.

# CALIFORNIA STATE UNIVERSITY

Single Audit Reports

Year ended June 30, 2014

**CALIFORNIA STATE UNIVERSITY**

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# Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
California State University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the California State University, an agency of the State of California (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise California State University's basic financial statements, and have issued our report thereon dated October 15, 2014. Our report refers to the other auditors who audited 90 of the 92 aggregate discretely presented component units, which statements reflect total assets constituting 91% and total revenues constituting 94% of the aggregate discretely presented totals. The reports of the other auditors have been furnished to us, and our opinions, insofar as they relate to the amounts included for the 90 aggregate discretely presented component units, are based solely on the reports of the other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters in accordance with *Government Auditing Standards* that are reported on separately by those auditors.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered California State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California State University's internal control. Accordingly, we do not express an opinion on the effectiveness of California State University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether California State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of California State University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 15, 2014

KPMG LLP
Suite 1500
550 South Hope Street
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**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations***

The Board of Trustees
California State University

**Report on Compliance for Each Major Federal Program**

We have audited the California State University's (the University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2014. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The University's basic financial statements include the operations of the University's discretely presented component units, which received federal awards totaling $329,793,000, which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2014. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform audits in accordance with OMB Circular A-133.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.



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*Opinion on Each Major Federal Program*

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

*Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, which we consider to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the California State University, an agency of the State of California (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise California State University's basic financial statements and have issued our report thereon dated October 15, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Los Angeles, California
October 15, 2014



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**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| **Student Financial Assistance Cluster:** | | | |
| **U.S. Department of Education:** | | | |
| Direct programs: | | | |
| Federal Supplemental Educational Opportunity Grant Program | 84.007 | | $ 11,221,630 |
| Federal Work-Study Program | 84.033 | | 14,968,364 |
| Federal Perkins Loan Program | 84.038 | | 13,800,653 |
| Federal Pell Grant Program | 84.063 | | 855,341,927 |
| Federal Direct Student Loans | 84.268 | | 1,497,976,517 |
| Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | | 1,105,676 |
| Total U.S. Department of Education | | | 2,394,414,767 |
| **U.S. Department of Health and Human Services:** | | | |
| Direct programs: | | | |
| Nurse Faculty Loan Program | 93.264 | | 7,681 |
| Nursing Student Loan Program | 93.364 | | 365,410 |
| Total U.S. Department of Health and Human Services | | | 373,091 |
| Total Student Financial Assistance Cluster | | | 2,394,787,858 |
| **Other program and clusters:** | | | |
| **U.S. Department of Agriculture:** | | | |
| **Child Nutrition Cluster:** | | | |
| Passed through California Department of Education: | | | |
| Summer Food Service Program for Children | 10.559 | 37-7806-8V | 13,953 |
| Total Child Nutrition Cluster | | | 13,953 |
| Passed through California Department of Education: | | | |
| Child and Adult Care Food Program | 10.558 | 04346-CCSP | 50,464 |
| Child and Adult Care Food Program | 10.558 | 04347-CACFP-38-HU-SOIC | 8,534 |
| Subtotal CFDA 10.558 | | | 58,998 |
| Direct program: | | | |
| Forestry Research | 10.652 | | 85,646 |
| Total U.S. Department of Agriculture | | | 158,597 |
| **U.S. Department of Commerce:** | | | |
| Direct program: | | | |
| Sea Grant Support | 11.417 | | 10,000 |
| Total U.S. Department of Commerce | | | 10,000 |
| **U.S. Department of Defense:** | | | |
| Passed through Institute of International Education Incorporated: | | | |
| The Language Flagship Grants to Institutions of Higher Education | 12.550 | NSEP-U631073-SFSU-CHN | 376,860 |
| Passed through California State University, Long Beach: | | | |
| Congressionally Directed Assistance | 12.599 | S124910100SFMAN | 957 |
| Congressionally Directed Assistance | 12.599 | S124910100SFPER | 440 |
| Subtotal CFDA 12.599 | | | 1,397 |
| Total U.S. Department of Defense | | | 378,257 |



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**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| **U.S. Department of the Interior:** | | | |
| Direct programs: | | | |
| Department of Interior (not classified elsewhere) | 15.000 | | $ 28,304 |
| Fish and Wildlife Management Assistance | 15.608 | | 3,635 |
| Passed through Office of Historic Preservation: | | | |
| Historic Preservation Fund Grants-in-Aid | 15.904 | C1210018 | 10,040 |
| Historic Preservation Fund Grants-in-Aid | 15.904 | C8954518 | 380 |
| Subtotal CFDA 15.904 | | | 10,420 |
| Direct programs: | | | |
| Native American Graves Protection and Repatriation Act | 15.922 | | 24,673 |
| Cultural Resources Management | 15.946 | | 89,182 |
| National Park Service Conservation, Protection, Outreach, and Education | 15.954 | | 25,781 |
| Total U.S. Department of the Interior | | | 181,995 |
| **U.S. Department of Labor:** | | | |
| Passed through Growth Sector: | | | |
| H-1B Job Training Grants | 17.268 | MOU | 40,418 |
| Passed through South Bay Workforce Investment Consortium, Incorporated: | | | |
| Workforce Investment Act (WIA) National Emergency Grants | 17.277 | None | 9,695 |
| Passed through City and County of San Francisco: | | | |
| Workforce Innovation Fund | 17.283 | None | 81,412 |
| Total U.S. Department of Labor | | | 131,525 |
| **U.S. Department of Transportation:** | | | |
| Passed through California Department of Transportation: | | | |
| Department of Transportation (not classified elsewhere) | 20.000 | 04A3889 | 2,794 |
| Department of Transportation (not classified elsewhere) | 20.000 | 04A3355 | 30,870 |
| Department of Transportation (not classified elsewhere) | 20.000 | C C07E0014 | 120,200 |
| Department of Transportation (not classified elsewhere) | 20.000 | 06A1761 | 385 |
| Department of Transportation (not classified elsewhere) | 20.000 | 04A4091 | 194,839 |
| Department of Transportation (not classified elsewhere) | 20.000 | 03A2168 | 2,765 |
| Subtotal CFDA 20.000 | | | 351,853 |
| Direct programs: | | | |
| Ballast Water Treatment Technologies | 20.819 | | 519,602 |
| Total U.S. Department of Transportation | | | 871,455 |
| **National Aeronautics and Space Administration:** | | | |
| Direct program: | | | |
| Science | 43.001 | | 212,564 |
| Passed through University of California, San Diego: | | | |
| Science | 43.001 | NNX10AT93H | 9,728 |
| Passed through Stanford University: | | | |
| Science | 43.001 | PY04430-22727-C | 310,638 |
| Passed through California Institute of Technology: | | | |
| Science | 43.001 | 44A-1085525 | 145,043 |
| Subtotal CFDA 43.001 | | | 677,973 |
| Direct Program: | | | |
| Education | 43.008 | | 393,287 |
| Total National Aeronautics and Space Administration | | | 1,071,260 |



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**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| **National Endowment for the Arts:** | | | |
| Direct program: | | | |
| Promotion of the Arts_Grants to Organizations and Individuals | 45.024 | | $ 9,955 |
| Total National Endowment for the Arts | | | 9,955 |
| **National Endowment for the Humanities:** | | | |
| Passed through California Humanities: | | | |
| Promotion of the Humanities_Federal/State Partnership | 45.129 | COS12-353 | 1,413 |
| Total National Endowment for the Humanities | | | 1,413 |
| **National Science Foundation:** | | | |
| Direct programs: | | | |
| Geosciences | 47.050 | | 221,538 |
| Biological Sciences | 47.074 | | 1,214 |
| Education and Human Resources | 47.076 | | 698,921 |
| Passed through University Enterprises, Incorporated California State University, Sacramento: | | | |
| Education and Human Resources | 47.076 | HRD-0802628 | 5,105 |
| Education and Human Resources | 47.076 | HRD-1302873 | 12,642 |
| Education and Human Resources | 47.076 | 520541A | (1,920) |
| Passed through California State University, East Bay Foundation, Incorporated: | | | |
| Education and Human Resources | 47.076 | 10000115-134 | (16,095) |
| Passed through University Enterprises Corporation at California State University, San Bernardino: | | | |
| Education and Human Resources | 47.076 | SA GT 10184 | (6,126) |
| Passed through The Regents of the University of California: | | | |
| Education and Human Resources | 47.076 | DUE-0631188 | 3,500 |
| Passed through California State University, Sacramento: | | | |
| Education and Human Resources | 47.076 | HRD-0802628-515401 | 7,245 |
| Education and Human Resources | 47.076 | 523911 | 14,850 |
| Education and Human Resources | 47.076 | 515405 | 960 |
| Subtotal CFDA 47.076 | | | 719,082 |
| Direct program: | | | |
| ARRA – Trans – NSF Recovery Act Research Support | 47.082 | | 207,188 |
| Total National Science Foundation | | | 1,149,022 |
| **Environmental Protection Agency:** | | | |
| Passed through Environmental Quality Management: | | | |
| Environmental Protection Agency (not classified elsewhere) | 66.000 | 13.017 | 48,978 |
| Environmental Protection Agency (not classified elsewhere) | 66.000 | 019331 | 158,205 |
| Environmental Protection Agency (not classified elsewhere) | 66.000 | 019624 | 75,051 |
| Passed through Weston Solutions, Incorporated: | | | |
| Environmental Protection Agency (not classified elsewhere) | 66.000 | 0084860 | 55,653 |
| Subtotal CFDA 66.000 | | | 337,887 |
| Total Environmental Protection Agency | | | 337,887 |
| **U.S. Department of Energy:** | | | |
| Direct program: | | | |
| Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | 81.117 | | 169,463 |
| Passed through Zimitar, Incorporated: | | | |
| Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | 81.117 | DE-EE0005492 | 3,908 |
| Subtotal CFDA 81.117 | | | 173,371 |
| Total U.S. Department of Energy | | | 173,371 |



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**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| **U.S. Department of Education, excluding Student Financial Assistance Cluster:** | | | |
| **TRIO Cluster:** | | | |
| Direct program: | | | |
| TRIO_Student Support Services | 84.042 | | $ 1,488,107 |
| Passed through The California State University, Chico Research Foundation: | | | |
| TRIO_Student Support Services | 84.042 | P042A100854-13 | 30,989 |
| Passed through San Diego State University Research Foundation: | | | |
| TRIO_Student Support Services | 84.042 | 40085576 | 20,000 |
| Subtotal CFDA 84.042 | | | 1,539,096 |
| Direct programs: | | | |
| TRIO_Talent Search Program | 84.044 | | 441,825 |
| TRIO_Upward Bound Program | 84.047 | | 1,365,722 |
| TRIO_McNair Post-Baccalaureate Achievement Program | 84.217 | | 219,078 |
| Total TRIO Cluster | | | 3,565,721 |
| **Teacher Quality Partnership Grants Cluster:** | | | |
| Passed through California State University Bakersfield Auxiliary for Sponsored Programs Administration: | | | |
| Teacher Quality Partnership Grants | 84.336 | SA GRA1677 | 39,962 |
| Passed through The California State University, Chico Research Foundation: | | | |
| Teacher Quality Partnership Grants | 84.336 | SUB 12-034 and 12-060 | 8,812 |
| Teacher Quality Partnership Grants | 84.336 | SUB 12-059 | 39,653 |
| Subtotal CFDA 84.336 | | | 88,427 |
| Total Teacher Quality Partnership Grants Cluster | | | 88,427 |
| Passed through Virginia Commonwealth University: | | | |
| Undergraduate International Studies and Foreign Language Programs | 84.016 | PT108273-SCI04765 | 5,668 |
| Direct programs: | | | |
| International Research and Studies | 84.017 | | 58,783 |
| Higher Education Institutional Aid | 84.031 | | 5,241,238 |
| Higher Education Institutional Aid – Title V Computer Engineering | 84.031 | | 861,959 |
| Higher Education Institutional Aid – Engineering Sciences | 84.031 | | 426,710 |
| Passed through Bakersfield College: | | | |
| Higher Education Institutional Aid – Stem and Articulation Program | 84.031 | GRA 1994 | 222,022 |
| Passed through California State University Fullerton Auxiliary Services Corporation: | | | |
| Higher Education Institutional Aid | 84.031 | S-5261-CSU | 9,460 |
| Passed through Ventura County Community College District: | | | |
| Higher Education Institutional Aid | 84.031 | P0083733 | 125,450 |
| Passed through San Mateo County Community College District: | | | |
| Higher Education Institutional Aid | 84.031 | P031C110159 | 106,054 |
| Subtotal CFDA 84.031 | | | 6,992,893 |
| Direct programs: | | | |
| TRIO Staff Training Program | 84.103 | | 347,192 |
| Fund for the Improvement of Postsecondary Education | 84.116 | | 154,621 |
| Passed through LaGuardia Community College: | | | |
| Fund for the Improvement of Postsecondary Education | 84.116 | 46355-M | 8,428 |
| Subtotal CFDA 84.116 | | | 163,049 |



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**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| Direct program: | | | |
| Minority Science and Engineering Improvement – Engineering Calculus and Outreach | 84.120 | | $ 232,948 |
| Passed through California Department of Rehabilitation: | | | |
| Rehabilitation Services – Vocational Rehabilitation Grants to States | 84.126 | 27421 | 164,114 |
| Direct programs: | | | |
| Rehabilitation Long-Term Training | 84.129 | | 142,554 |
| National Institute on Disability and Rehabilitation Research | 84.133 | | 13,030 |
| Passed through Ventura Unified School District: | | | |
| Magnet Schools Assistance | 84.165 | 14-03146 | 17,952 |
| Passed through Oxnard School District: | | | |
| Magnet Schools Assistance | 84.165 | 13-176 | 15,281 |
| Subtotal CFDA 84.165 | | | 33,233 |
| Direct program: | | | |
| English Language Acquisition National Professional Development Program | 84.195 | | 190,348 |
| Passed through West Contra Costa County Unified School District: | | | |
| Fund for the Improvement of Education | 84.215 | C1330080 | 19,463 |
| Passed through Mendocino County Office of Education: | | | |
| Fund for the Improvement of Education | 84.215 | TAHMENDO 090112_YR3 | 29,240 |
| Subtotal CFDA 84.215 | | | 48,703 |
| Direct program: | | | |
| Special Education – Personnel Development to Improve Services and Results for Children with Disabilities | 84.325 | | 526,019 |
| Passed through Salus University: | | | |
| Special Education – Personnel Development to Improve Services and Results for Children with Disabilities | 84.325 | 83401 | 35,062 |
| Passed through California State University, Los Angeles: | | | |
| Special Education – Personnel Development to Improve Services and Results for Children with Disabilities | 84.325 | SFSU-Hannan 230545 | 590 |
| Subtotal CFDA 84.325 | | | 561,671 |
| Direct program: | | | |
| Special Education – Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 84.326 | | 520,692 |
| Passed through San Francisco Unified School District: | | | |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | SFUSD FY 2012-2013 | 279 |
| Direct program: | | | |
| Child Care Access Means Parents in School | 84.335 | | 230,247 |
| Passed through California State University Dominguez Hills Foundation: | | | |
| Transition to Teaching | 84.350 | 5630 | 29,840 |
| Transition to Teaching | 84.350 | 5766 | 85,818 |
| Subtotal CFDA 84.350 | | | 115,658 |
| Direct program: | | | |
| English Language Acquisition State Grants | 84.365 | | 361,648 |
| Passed through California Department of Education: | | | |
| English Language Acquisition State Grants | 84.365 | CN110387 | 149,537 |
| Passed through University of California, Santa Cruz: | | | |
| English Language Acquisition State Grants | 84.365 | S0183643 | 70,989 |
| Subtotal CFDA 84.365 | | | 582,174 |



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**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| Passed through Bellevue School District: | | | |
| Mathematics and Science Partnerships | 84.366 | SSU-101 A2 | $ 10,246 |
| Passed through The Regents of the University of California: | | | |
| Improving Teacher Quality State Grants | 84.367 | NCLB10-CMP-SONOMA | 64,990 |
| Improving Teacher Quality State Grants | 84.367 | NCLB10-CISP-SONOMA | 7 |
| Improving Teacher Quality State Grants | 84.367 | NCLB10-CMP-STANISLAUS | 26,450 |
| Improving Teacher Quality State Grants | 84.367 | NCLB10-CWP-TURLOCK | 37,035 |
| Passed through California Postsecondary Education Commission: | | | |
| Improving Teacher Quality State Grants | 84.367 | ITQ-11-800 | 196,193 |
| Passed through National Writing Project: | | | |
| Improving Teacher Quality State Grants | 84.367 | 92-CA-10 SEED 2012 | 4,255 |
| Subtotal CFDA 84.367 | | | 328,930 |
| Direct program: | | | |
| Investing in Innovation (i3) Fund | 84.411 | | 217,012 |
| Passed through Internationals Network for Public Schools: | | | |
| Investing in Innovation (i3) Fund | 84.411 | MOU-PROJECT RISE | 38,174 |
| Subtotal CFDA 84.411 | | | 255,186 |
| Total U.S. Department of Education, excluding Student Financial Assistance Cluster | | | 14,651,746 |
| **U.S. Department of Health and Human Services:** | | | |
| **Child Care and Development Fund Cluster:** | | | |
| Passed through California Department of Education: | | | |
| Child Care and Development Block Grant | 93.575 | CSPP-3096 | 19,557 |
| Child Care and Development Block Grant | 93.575 | CCTR-3045 | 34,486 |
| Subtotal CFDA 93.575 | | | 54,043 |
| Passed through California Department of Education: | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | CSPP-3096 | 40,999 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | CCTR-3045 | 72,298 |
| Subtotal CFDA 93.596 | | | 113,297 |
| Total Child Care and Development Fund Cluster | | | 167,340 |
| Direct programs: | | | |
| Mental Health Research Grants | 93.242 | | 298,062 |
| Mental Health National Research Service Awards for Research Training | 93.282 | | 3,553 |
| Passed through University of California, San Francisco: | | | |
| Minority Health and Health Disparities Research | 93.307 | 7518SC | 2,639 |
| Passed through Santa Rosa Community Health Center: | | | |
| Nurse Education, Practice Quality and Retention Grants | 93.359 | AGMT 101 AMT 1 | 10,424 |
| Direct program: | | | |
| National Center for Research Resources | 93.389 | | 240,556 |
| Passed through Northcoast Children's Services: | | | |
| Head Start (Humboldt State University) | 93.600 | HSUCHI | 34,635 |
| Passed through The Regents of the University of California, Berkeley: | | | |
| Foster Care Title IV-E | 93.658 | 13-2010 | 1,015,442 |
| Passed through University of California, Berkeley: | | | |
| Foster Care Title IV-E | 93.658 | 00007950 | 66,182 |
| Foster Care Title IV-E | 93.658 | 00008305 | 804,344 |
| Passed through The Regents of the University of California: | | | |
| Foster Care Title IV-E | 93.658 | 7946 | 1,777 |
| Foster Care Title IV-E | 93.658 | 8301 | 1,207,357 |
| Subtotal CFDA 93.658 | | | 3,095,102 |



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**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| Passed through University of California, Davis: | | | |
| ARRA – State Grants to Promote Health Information Technology | 93.719 | 201225030-09 | $ 295,840 |
| Passed through County of Sonoma: | | | |
| PPHF: Community Transformation Grants – Small Communities Program financed solely by Public Prevention and Health Funds | 93.737 | 2013-0159-A00 | 61,756 |
| Passed through Stanford University: | | | |
| Health Careers Opportunity Program | 93.822 | 266-76210-49878A | 126,140 |
| Direct program: | | | |
| Biomedical Research and Research Training | 93.859 | | 2,000,224 |
| Passed through American Society of Cell Biology: | | | |
| Biomedical Research and Research Training | 93.859 | PAR-08-118 | 5,053 |
| Subtotal CFDA 93.859 | | | 2,005,277 |
| Passed through The Regents of the University of California, Los Angeles: | | | |
| Geriatric Education Centers | 93.969 | 1558 G NA589 | 185 |
| Total U.S. Department of Health and Human Services | | | 6,341,509 |
| **Corporation for National and Community Service:** | | | |
| Direct programs: | | | |
| Learn and Serve America Higher Education | 94.005 | | 73,463 |
| AmeriCorps | 94.006 | | 129,989 |
| Passed through Jumpstart for Young Children: | | | |
| AmeriCorps | 94.006 | 100200 | 12,854 |
| Subtotal CFDA 94.006 | | | 142,843 |
| Total Corporation for National and Community Service | | | 216,306 |
| **U.S. Department of Homeland Security:** | | | |
| Passed through The Haskell Group: | | | |
| Department of Homeland Security (not classified elsewhere) | 97.000 | 6601193-0006 | 19,249 |
| Passed through California Emergency Management Agency: | | | |
| Non-Profit Security Program | 97.008 | FY 2010 | 6,377 |
| Disaster Grants – Public Assistance (Presidentially Declared Disasters) | 97.036 | 92269 | 160,690 |
| Passed through Marine Exchange of the San Francisco Bay Area Region: | | | |
| Port Security Grant Program | 97.056 | 2009-PU-T9-K032 | 654,830 |
| Passed through California Emergency Management Agency: | | | |
| Homeland Security Grant Program | 97.067 | 2010-0085 | 130,026 |
| Passed through City of Santa Ana: | | | |
| Homeland Security Grant Program | 97.067 | 2007-GS-H7-0008 | 3,519 |
| Subtotal CFDA 97.067 | | | 133,545 |
| Passed through Ventura County Office of Emergency Services: | | | |
| Regional Catastrophic Preparedness Grant Program (RCPGP) | 97.111 | SSOES 12-068 | 15,525 |
| Total U.S. Department of Homeland Security | | | 990,216 |
| **Agency for International Development:** | | | |
| Passed through World Institute on Disability: | | | |
| United States Agency for International Development Foreign Assistance for Programs Overseas | 98.001 | SPANS-004 | 19,839 |
| Passed through World Learning: | | | |
| United States Agency for International Development Foreign Assistance for Programs Overseas | 98.001 | SPANS-024 | 731,022 |
| Subtotal CFDA 98.001 | | | 750,861 |
| Total Agency for International Development | | | 750,861 |



(Continued)

**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| **Research and Development Cluster:** | | | |
| **U.S. Department of Agriculture:** | | | |
| Passed through The California State University, Chico Research Foundation: | | | |
| Transit in Parks Program | 10.000 | Sub-12-033 | $ 880 |
| Passed through California Department of Education: | | | |
| Agricultural Research Basic and Applied Research | 10.001 | 37-7806-8V | 34,645 |
| Direct program: | | | |
| Hispanic Serving Institutions Education Grants | 10.223 | | 14,003 |
| Passed through The Regents of the University of California: | | | |
| Agriculture and Food Research Initiative | 10.310 | 8103 | 83,818 |
| Passed through University of California, Santa Barbara: | | | |
| Forestry Research | 10.652 | KK1339 | 62,523 |
| Direct program: | | | |
| National Fish and Wildlife Foundation | 10.683 | | 7,472 |
| Total U.S. Department of Agriculture | | | 203,341 |
| **U.S. Department of Commerce:** | | | |
| Direct program: | | | |
| Integrated Ocean Observing System | 11.012 | | 383,812 |
| Passed through Monterey Bay Aquarium Research Institute: | | | |
| Integrated Ocean Observing System | 11.012 | PO# 1111289 - A1 | 607,451 |
| Subtotal CFDA 11.012 | | | 991,263 |
| Direct programs: | | | |
| Coastal Zone Management Administration Awards | 11.419 | | 430,901 |
| Coastal Zone Management Estuarine Research Reserves | 11.420 | | 552,067 |
| Center for Sponsored Coastal Ocean Research – Coastal Ocean Program | 11.478 | | 19,748 |
| Total U.S. Department of Commerce | | | 1,993,979 |
| **U.S. Department of Defense:** | | | |
| Direct programs: | | | |
| Basic and Applied Scientific Research | 12.300 | | 121,994 |
| Air Force Defense Research Sciences Program | 12.800 | | 675,503 |
| Passed through University of Missouri: | | | |
| Air Force Defense Research Sciences Program | 12.800 | C00030628-1 | 38,166 |
| Subtotal CFDA 12.800 | | | 713,669 |
| Total U.S. Department of Defense | | | 835,663 |
| **U.S. Department of the Interior:** | | | |
| Direct programs: | | | |
| Central Valley Project Improvement Act, Title XXXIV | 15.512 | | 1,257,715 |
| Fish and Wildlife Coordination Act | 15.517 | | 19,515 |
| ARRA – Fish and Wildlife Coordination Act | 15.517 | | 185,330 |
| Subtotal CFDA 15.517 | | | 204,845 |
| Direct programs: | | | |
| Cooperative Endangered Species Conservation Fund | 15.615 | | 1,855 |
| Central Valley Project Improvement Anadromous Fish Restoration Program | 15.648 | | 117 |
| Research Grants (Generic) | 15.650 | | 6,439 |
| Earthquake Hazards Reduction Program | 15.807 | | 49,598 |
| U.S. Geological Survey – Research and Data Collection | 15.808 | | 95,371 |
| National Cooperative Geologic Mapping Program | 15.810 | | 4,597 |
| Passed through California Office of Historic Preservation: | | | |
| Historic Preservation Fund Grants-In-Aid | 15.904 | C8955519 | 9,000 |
| Direct programs: | | | |
| Rivers, Trails and Conservation Assistance | 15.921 | | 807 |
| Cooperative Research and Training Programs – Resources of the National Park System | 15.945 | | 5,927 |
| Total U.S. Department of the Interior | | | 1,636,271 |



(Continued)

**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| **U.S. Department of Labor:** | | | |
| Passed through County of San Mateo Workforce Development: | | | |
| Incentive Grants – Workforce Investment Act Section 503 | 17.267 | 73200-12-D007 | $ 509 |
| Total U.S. Department of Labor | | | 509 |
| **National Aeronautics and Space Administration:** | | | |
| Direct program: | | | |
| Science | 43.001 | | 374,214 |
| Passed through San Mateo County Community College District: | | | |
| Science | 43.001 | NNX10AU75G | 17,637 |
| Passed through Oregon State University: | | | |
| Science | 43.001 | NS251A-A | 15,566 |
| Subtotal CFDA 43.001 | | | 407,417 |
| Passed through San Jose State University Research Foundation: | | | |
| Aeronautics | 43.002 | 21-1614-4877-SFSU | 127,612 |
| Passed through Georgia Institute of Technology: | | | |
| Exploration | 43.003 | RD224-G1 | 126,144 |
| Total National Aeronautics and Space Administration | | | 661,173 |
| **National Endowment for the Arts:** | | | |
| Direct program: | | | |
| Promotion of the Arts_Grants to Organizations and Individuals | 45.024 | | 20,000 |
| Total National Endowment for the Arts | | | 20,000 |
| **National Endowment for the Humanities:** | | | |
| Direct program: | | | |
| Promotion of the Humanities_Professional Development | 45.163 | | 21,522 |
| Total National Endowment for the Humanities | | | 21,522 |
| **National Science Foundation:** | | | |
| Direct programs: | | | |
| Engineering Grants | 47.041 | | 55,415 |
| Mathematical and Physical Sciences | 47.049 | | 1,106,164 |
| Passed through University of Minnesota: | | | |
| Mathematical and Physical Sciences | 47.049 | 00002006251 | 92,976 |
| Passed through The Mathematical Association of America: | | | |
| Mathematical and Physical Sciences | 47.049 | MOU-MAA | 26,436 |
| Subtotal CFDA 47.049 | | | 1,225,576 |
| Direct program: | | | |
| Geosciences | 47.050 | | 871,465 |
| Passed through The Regents of the University of California: | | | |
| Geosciences | 47.050 | S0184227 | 553 |
| Passed through University of New Hampshire: | | | |
| Geosciences | 47.050 | 13-077 | 39,951 |
| Subtotal CFDA 47.050 | | | 911,969 |
| Direct programs: | | | |
| Computer and Information Science and Engineering | 47.070 | | 211,063 |
| Biological Sciences | 47.074 | | 1,014,787 |
| Passed through Los Angeles County Museum/ | | | |
| National Science Foundation: | | | |
| Biological Sciences | 47.074 | DEB-1025922 | 14,749 |
| Passed through University of California, Berkeley: | | | |
| Biological Sciences | 47.074 | 00007925 | 13,347 |
| Subtotal CFDA 47.074 | | | 1,042,883 |



(Continued)

**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| Direct programs: | | | |
| Social, Behavioral, and Economic Sciences | 47.075 | | $ 245,242 |
| Education and Human Resources | 47.076 | | 1,157,608 |
| Passed through Humboldt State University | | | |
| Sponsored Programs Foundation: | | | |
| Education and Human Resources | 47.076 | PO 0009730651-HMSPF | 59,776 |
| Passed through University Enterprises, Incorporated | | | |
| California State University, Sacramento: | | | |
| Education and Human Resources | 47.076 | HRD-0802628 | 78 |
| Education and Human Resources | 47.076 | 523751 | 9,984 |
| Education and Human Resources | 47.076 | 523951 | 15,000 |
| Education and Human Resources | 47.076 | 523961 | 14,706 |
| Passed through University of California, Santa Cruz: | | | |
| Education and Human Resources | 47.076 | S0182471 | 44,887 |
| Passed through Missouri State University: | | | |
| Education and Human Resources | 47.076 | 11052-002 | 52,899 |
| Passed through Stanford Research Institute International: | | | |
| Education and Human Resources | 47.076 | 43-000002 | 11,925 |
| Subtotal CFDA 47.076 | | | 1,366,863 |
| Direct program: | | | |
| Polar Programs | 47.078 | | 264,113 |
| Passed through University of Nevada, Las Vegas: | | | |
| Office of International and Integrative Activities | 47.079 | 11-707D-F | 46,523 |
| Direct program: | | | |
| ARRA – Trans – NSF Recovery Act Research Support | 47.082 | | 132,087 |
| Passed through Pomona College: | | | |
| Trans – NSF Recovery Act Research Support | 47.082 | AST-09603 AGREEMENT 1 | 17,515 |
| Subtotal CFDA 47.082 | | | 149,602 |
| Total National Science Foundation | | | 5,519,249 |
| **Environmental Protection Agency:** | | | |
| Passed through California Coastal Conservancy: | | | |
| Congressionally Mandated Projects | 66.202 | 10-030 | 173,596 |
| Total Environmental Protection Agency | | | 173,596 |
| **U.S. Department of Energy:** | | | |
| Direct programs: | | | |
| Department of Energy (not classified elsewhere) | 81.000 | | 122,225 |
| Office of Science Financial Assistance Program | 81.049 | | 188,885 |
| Passed through Cornell University: | | | |
| Renewable Energy Research and Development | 81.087 | 68579-10096 | 173,520 |
| Passed through The Regents of the University of California: | | | |
| Renewable Energy Research and Development | 81.087 | 7104 | 77,314 |
| Subtotal CFDA 81.087 | | | 250,834 |
| Total U.S. Department of Energy | | | 561,944 |
| **U.S. Department of Education:** | | | |
| Passed through California Postsecondary Education Commission: | | | |
| Improving Teacher Quality State Grants | 84.367 | ITQ-11-805 | 215,482 |
| Passed through The Regents of the University of California: | | | |
| Improving Teacher Quality State Grants | 84.367 | E319GPA084/GQA083 | 19,547 |
| Subtotal CFDA 84.367 | | | 235,029 |
| Total U.S. Department of Education | | | 235,029 |



(Continued)

**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| **U.S. Department of Health and Human Services:** | | | |
| Passed through CommonHealth Action: | | | |
| Chronic Diseases: Research, Control, and Prevention | 93.068 | 2010-1010 | $ 982 |
| Direct programs: | | | |
| Research Related to Deafness and Communication Disorders | 93.173 | | 103,067 |
| Mental Health Research Grants | 93.242 | | 1,346,018 |
| Passed through Arizona State University: | | | |
| Mental Health Research Grants | 93.242 | 10-262 | 25,638 |
| Subtotal CFDA 93.242 | | | 1,371,656 |
| Passed through University of California, Berkeley: | | | |
| Alcohol Research Programs | 93.273 | 7430 | 90,570 |
| Passed through Research Triangle Institute International: | | | |
| Drug Abuse and Addiction Research Programs | 93.279 | Sub Grant #2-312-0212248 | 3,622 |
| Direct programs: | | | |
| Mental Health Research Career/Scientist Development Awards | 93.281 | | 156,618 |
| Minority Health and Health Disparities Research | 93.307 | | 183,569 |
| Passed through San Francisco General Hospital: | | | |
| Minority Health and Health Disparities Research | 93.307 | | 11,436 |
| Subtotal CFDA 93.307 | | | 195,005 |
| Passed through University of California, San Francisco: | | | |
| Cancer Cause and Prevention Research | 93.393 | 5647SC | 74,660 |
| Direct program: | | | |
| Cancer Detection and Diagnosis Research | 93.394 | | 19,949 |
| Passed through Samuel Merritt University: | | | |
| ARRA Trans-NIH Recovery Act Research Support | 93.701 | 2010-2013 | 6,801 |
| Passed through Stanford University: | | | |
| ARRA Trans-NIH Recovery Act Research Support | 93.701 | 24024890-12656-A | 12,534 |
| Passed through University of California, San Francisco: | | | |
| ARRA Trans-NIH Recovery Act Research Support | 93.701 | 7109 SC | 4,393 |
| Subtotal CFDA 93.701 | | | 23,728 |
| Passed through University of California, San Diego: | | | |
| ARRA Recovery Act – Comparative Effectiveness Research | 93.715 | 10312723 | 26,747 |
| Direct program: | | | |
| Cardiovascular Diseases Research | 93.837 | | 197,347 |
| Passed through Medical College of Georgia: | | | |
| Cardiovascular Diseases Research | 93.837 | 22411-2 | 7,977 |
| Passed through The Regents of the University of California: | | | |
| Cardiovascular Diseases Research | 93.837 | 1R01HL09176701A1SSU | 74,288 |
| Subtotal CFDA 93.837 | | | 279,612 |
| Passed through University of California, San Francisco: | | | |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 8109 SC | 1,023 |
| Direct program: | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | | 12,430 |
| Passed through The Regents of the University of California: | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | 6125 SC | 179,514 |
| Subtotal CFDA 93.855 | | | 191,944 |
| Direct program: | | | |
| Biomedical Research and Research Training | 93.859 | | 1,338,563 |
| Passed through Stanford University: | | | |
| Biomedical Research and Research Training | 93.859 | 26977560-30501-K | 21,560 |
| Passed through University of California, San Francisco: | | | |
| Biomedical Research and Research Training | 93.859 | 7284 SC | 106,326 |
| Biomedical Research and Research Training | 93.859 | 7754 SC | 47,941 |
| Passed through University of Washington: | | | |
| Biomedical Research and Research Training | 93.859 | 755971 | 20,207 |
| Subtotal CFDA 93.859 | | | 1,534,597 |



(Continued)

**CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance (CFDA) number | Pass-through entity identifying number | Federal disbursements/ expenditures |
|---|---|---|---|
| Direct program: | | | |
| Child Health and Human Development Extramural Research | 93.865 | | $ 893,640 |
| Passed through University of California, Los Angeles: | | | |
| Aging Research | 93.866 | 1920 G PA394 | 10,606 |
| Passed through University of California, San Francisco: | | | |
| Aging Research | 93.866 | 444986-31259 | 17,022 |
| Subtotal CFDA 93.866 | | | 27,628 |
| Total U.S. Department of Health and Human Services | | | 4,995,048 |
| Total Research and Development Cluster | | | 16,857,324 |
| Total Expenditures of Federal Awards | | | $ 2,439,070,557 |

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report on compliance for each major program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**CALIFORNIA STATE UNIVERSITY**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

## (1) General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the California State University (the University). The University does not consider itself a subrecipient of federal funds when those funds are received as payments for services rendered from individual campus foundations, which are discretely presented component units in the basic financial statements of the University. Accordingly, these amounts are not reflected in the accompanying Schedule.

For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the University and agencies and departments of the federal government and pass-through agencies. The awards are classified into major program categories in accordance with the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

## (2) Basis of Accounting

The information in the accompanying Schedule is prepared on the accrual basis of accounting and is also presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## (3) Loan Programs

Total loans outstanding under the Federal Perkins Loan Program and the Nursing Student Loan Program were $90,394,561 and $1,316,017, respectively, at June 30, 2014. The amounts included in the accompanying Schedule consist of loans advanced to students and the administrative cost allowance for the year ended June 30, 2014.

## (4) Administrative Cost Allowances

Administrative cost allowances included in the accompanying Schedule are summarized as follows:

| | | |
|---|---|---|
| Federal Perkins Loan Program | $ | 1,224,579 |
| Federal Pell Grant Program | | 725,530 |
| Federal Supplemental Educational Opportunity Grant Program | | 100,758 |
| Federal Work-Study Program | | 558,258 |
| | $ | 2,609,125 |



(Continued)

## (5) Amounts Provided to Subrecipients

Included in the Schedule are the following amounts passed through to subrecipients:

| Program title | CFDA No. | Amount |
|---|---|---|
| Forestry Research | 10.652 | $ 31,726 |
| Science | 43.001 | 24,797 |
| Education | 43.008 | 49,329 |
| Geosciences | 47.050 | 118,089 |
| Higher Education Institutional Aid | 84.031 | 437,999 |
| Fund for the Improvement of Postsecondary Education | 84.116 | 23,299 |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | 84.325 | 30,387 |
| Improving Teacher Quality State Grants | 84.367 | 159,976 |
| Investing in Innovation (i3) Fund | 84.411 | 1,509 |
| Mental Health Research Grants | 93.242 | 21,100 |
| Homeland Security Grant Program | 97.067 | (10,294) |
| United States Agency for International Development Foreign Assistance for Programs Overseas | 98.001 | 175,596 |
| Research and Development Cluster: | | |
| Integrated Ocean Observing System | 11.012 | 589,399 |
| Coastal Zone Management Administration Awards | 11.419 | 154,067 |
| Basic and Applied Scientific Research | 12.300 | 31,882 |
| Air Force Defense Research Sciences Program | 12.800 | 101,507 |
| Central Valley Project Improvement Act, Title XXXIV | 15.512 | 339,693 |
| Mathematical and Physical Sciences | 47.049 | 86,426 |
| Education and Human Resources | 47.076 | 29,223 |
| Improving Teacher Quality State Grants | 84.367 | 189,628 |
| Mental Health Research Grants | 93.242 | 407,190 |
| Child Health and Human Development Extramural Research | 93.865 | 247,151 |
| Total Research and Development Cluster | | 2,176,166 |
| | | $ 3,239,679 |

**CALIFORNIA STATE UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

## (1) Summary of Auditors' Results

***Financial Statements***

Type of auditors' report issued on financial statements: Unmodified opinion.

Internal control over financial reporting:

| | | |
|---|---|---|
| • Material weakness identified? | ____ Yes | __X__ No |
| • Significant deficiencies in internal control were disclosed by the audit of the consolidated financial statements | ____ Yes | __X__ No |
| Noncompliance material to the financial statements noted | ____ Yes | __X__ No |

***Federal Awards***

Internal control over major programs:

| | | |
|---|---|---|
| • Material weakness(es) identified | ____ Yes | __X__ No |
| • Significant deficiencies in internal control over major programs | __X__ Yes | ____ No |
| Type of auditors' report issued on compliance for major programs: | Unmodified opinion | |
| Any Audit Findings that are Required to be Reported in Accordance with Section 510(a) of OMB Circular A-133? | __X__ Yes | ____ No |

***Identification of Major Programs***

| CFDA number(s) | Name of federal program or cluster |
|---|---|
| 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364, and 93.264 | Student Financial Assistance Cluster |
| 84.031 | Higher Education Institutional Aid |
| 93.658 | Foster Care Title IV-E |

| | | |
|---|---|---|
| Dollar Threshold Used to Distinguish Between Type A and Type B programs: | $1,328,481 | |
| Auditee Qualified as Low-Risk Auditee? | ____ Yes | __X__ No |

The University is not considered a low-risk auditee, solely due to administrative considerations that resulted in a late filing with the Federal Data Clearinghouse for the year ended June 30, 2012.

**CALIFORNIA STATE UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None noted.

**(3) Findings and Questioned Costs Relating to Federal Awards**

**2014-001**

| | |
|---|---|
| *Campus:* | California State University Stanislaus |
| *Cluster name/program* | Higher Education Institutional Aid |
| *CFDA number:* | 84.031 |
| *Federal Agency:* | U.S. Department of Education |
| *Passed through entity:* | Not applicable |
| *Award year:* | July 1, 2013 through June 30, 2014 |
| *Compliance Requirement* | Procurement and Suspension and Debarment |

***Criteria***

A. Procurement

Title 2 Grants and Agreements. Chapter II—Office of Management and Budget Circulars and Guidance. Part 215 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations. Subpart C—Post-Award Requirements. Applicable to all procurements made with federal funds greater than $100,000.

- Sec. 215.43 Competition. All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.
- Sec. 215.45 Cost and price analysis. Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.
- Sec. 215.46 Procurement Records. Procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) Basis for contractor selection; (b) Justification for lack of competition when competitive bids or offers are not obtained; and (c) Basis for award cost or price.

B. Suspension and Debarment

- Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

***Condition Found and Context***

During our testwork over procurement requirements, we selected seven contracts totaling $874,419, for which federal funds were expended during the year ended June 30, 2014. Current year expenditures related to these contracts totaled $465,276. We were not provided with procurement records that included the basis for contractor selection or the justification for lack of competition for four of the contracts selected that represented procurements in excess of $100,000, totaling $757,557 (including $347,304 of current year expenditures).

During our testwork over suspension and debarment requirements, for the seven sample items selected, we were not provided with documentation that the University checked the Excluded Party List System (EPLS), or performed other procedures to verify that covered transactions are not awarded to suspended or debarred parties.

***Cause and Effect***

The University has a written policy consistent with federal requirements for procurement and suspension and debarment. However, the policies do not appear to have been referenced by the University during the procurements described above. Consequently, it appears that the controls in place were ineffective in ensuring compliance with federal requirements. Noncompliance with procurement requirements could result in expenditures that are not responsive to a solicitation or the most advantageous to the University with respect to price, quality and other factors. Moreover, lack of compliance with suspension and debarment policies could result in disbursement of federal funds to suspended or debarred vendors.

***Questioned Costs***

None noted.

***Recommendation***

We recommend that the University strengthen its current processes and controls to ensure compliance with federal procurement and suspension and debarment requirements.

***Views of Responsible Officials***

We concur. The University will improve compliance with federal procurement guidelines for competitive bidding. For suspension and debarment, a certification clause will be added to the CSU procurement general contract provisions where contractors will certify that they are not debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in this transaction by any federal department or agency.

# AGENDA

## COMMITTEE ON EDUCATIONAL POLICY

**Meeting:** **3:15 p.m., Tuesday, January 27, 2015**
**Glenn S. Dumke Auditorium**

Debra S. Farar, Chair
Margaret Fortune, Vice Chair
Roberta Achtenberg
Talar Alexanian
Rebecca D. Eisen
Douglas Faigin
Lupe C. Garcia
Steven M. Glazer
Lillian Kimbell
J. Lawrence Norton
Steven G. Stepanek

**Consent Items**

Approval of Minutes of Meeting of November 12, 2014

**Discussion**

1. California State University Libraries of the Future, *Information*
2. California State University STEM Collaboratives, *Information*
3. The Apple Distinguished Program Award, *Information*
4. The Wang Family Excellence Award, *Information*

**MINUTES OF MEETING OF**
**COMMITTEE ON EDUCATIONAL POLICY**

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

**November 12, 2014**

**Members Present**
Debra S. Farar, Chair
Margaret Fortune, Vice Chair
Roberta Achtenberg
Talar Alexanian
Rebecca D. Eisen
Douglas Faigin
Lupe C. Garcia
Steven M. Glazer
Lillian Kimbell
Lou Monville, Chair of the Board
J. Lawrence Norton
Steven G. Stepanek
Timothy P. White, Chancellor

Trustee Farar called the meeting to order.

**Approval of Minutes**

The minutes of September 9-10, 2014, were approved as submitted.

**Associate Degrees for Transfer: SB 1440 Update**

Ephraim Smith, executive vice chancellor and chief academic officer, introduced the item stating that since the bill was passed in 2010 the California State University (CSU) has been working closely with the California Community Colleges (CCC) to develop and approve 30 Transfer Model Curriculum (TMCs) to date with more in the pipeline every day. Ken O'Donnell, senior director for student engagement and academic initiatives and partnerships, presented an update on the progress and implementation challenges of the program. He first reminded the board that the CSU's implementation of SB 1440 is part of a broader set of systemwide initiatives organized around the student experience and commitment to provide all students with an equitable chance at graduation.

Many of these initiatives, such as the Early Assessment and Early Start programs, focus on students at entry, but a large majority of CSU students transfer in from community colleges, he said. For these students, SB 1440 provides new clarity on the courses to take prior to transfer so

that students will be better prepared for success in particular majors and able to earn two degrees with 60 semester-units of coursework on each side. He noted that the intent was not necessarily to add to the total number of transfer students, but instead to provide a more streamlined pathway for those already planning on transferring to the CSU. To make this work, the CSU worked closely with faculty in both systems to create TMCs, which are patterns of lower-division courses, in 30 of the state's most popular majors. Mr. O'Donnell stated that this approach gives much-needed statewide consistency and clarity to programs that used to fit together haphazardly, or not at all. He noted, however, that trend data suggests transfer students are likelier than freshmen to remain close to their home community college, so in this opening phase of implementation student demand appears sensitive to the degree of compliance at local community colleges. He presented a diagram depicting two CSU campuses, one in the northern part of the state and one in the south, to explain the impact of local area compliance at the community college level. The two examples showed similar transfer populations but significantly different numbers and rate at which TMCs were being approved and offered at the local feeder community colleges. This is believed to account for the difference in participation of SB 1440 identified students at the two relatively similar CSU campuses highlighted in the example. He noted to address some of these disparities both the CSU and CCC are working collaboratively to approve more TMCs as well as synchronize student records with respect to these degrees.

He cautioned that while this work is continuing it is important to take reports on the progress and number of SB 1440 degrees as estimates. Mr. O'Donnell referenced a report citing that 12,000 Associate Degrees for Transfer (ADT) were conferred at the community colleges in 2013-2014. He explained that on the receiving end, the CSU did not see that many but instead saw closer to approximately 7,200 ADT students for the current year. There are numerous possible contributing factors to account for the discrepancy in reported numbers such as many of the incoming students with an ADT do not self-identify as holding that degree, CSU deadlines for transfer admission come before the community colleges confer their degrees in spring, and finally students do not always apply to the CSU for the first term after they leave the community college. He said that this kind of ambiguity within the data in the early stages of implementation will become clearer as work to streamline data sharing and reporting between the two systems improves.

In response to questions posed by the board at the September meeting regarding concerns that the mandated legislation to provide priority admission to transfer students with ADTs could potentially crowd out freshmen admits, Mr. O'Donnell presented a diagram that explained that the early data shows that the number of transfer students since the legislation passed has not varied greatly from the historic numbers of transfer admits but that the *composition* of these admits is what is changing. A similar number of transfer students are being admitted to the CSU but the number of those being admitted with the new ADT has increased, again not changing the overall number but the composition of transfer students admitted. He added that at this stage of the implementation process appropriate action consists of continuing with aggressive marketing, including increased outreach efforts and online presence, to attract more students, many of whom

are already planning to transfer to the CSU, to opt in to an ADT to better streamline their path to a successful and timely graduation from the CSU. Mr. O'Donnell also noted that increased interest and participation is also expected with the increase in broader "area of emphasis" ADTs to be offered.

Trustee Rebecca Eisen asked if transfer students have better graduation rates and shorter time-to-degree when compared to CSU native freshmen. Mr. O'Donnell noted that when comparing transfers from their junior year forward to freshman from their first year forward that transfer students are outperforming freshmen with higher graduation rates. He cautioned however that the comparison is somewhat apples to oranges and when both student populations are compared at the midpoint the comparison is on more parity, given that attrition tends to happen more likely within the freshmen and sophomore years.

**The California State University Graduation Initiative Update**

Ephraim Smith, executive vice chancellor and chief academic officer, introduced the item with a brief overview of the Graduation Initiative's initial commitment when it began in 2009 to raise overall six-year graduation rates by eight percentage points, from 46 percent to 54 percent, and to cut the achievement gap in half. At the request of the board, to clarify how data for first-time freshmen is captured, calculated, and reported regarding graduation rates, associate vice chancellor for academic research and resources Ed Sullivan explained that statute from 1990 requires colleges to report on the proportion of students completing their program within 150 percent of the normal time to completion. For four-year colleges and universities, this is the proportion of students who earn bachelor's degrees in six years or less. The data are collected through the Integrated Postsecondary Education Data System, commonly known as IPEDS, in a manner that allows reporting by race/ethnicity and gender. He said that cohorts under study for IPEDS purposes are established with each entering CSU freshmen class and that 97.1 percent of more than 62,000 entering fall 2013 freshmen were enrolled full-time in their first fall semester and are part of a cohort under study that will be subject to IPEDS reporting in February 2020. He added that once a student is part of a cohort, they remain in the cohort, even if their status changes to part-time or they drop out or transfer out of the institution. As part of CSU's participation in the Consortium for Student Retention Data Exchange (CSRDE), a consortium of 409 four-year colleges and universities including all 23 CSU campuses, the CSU also reports retention and graduation rate outcomes for California Community College (CCC) transfer students. Dr. Sullivan reported that 99.8 percent of the approximately 49,000 fall 2013 entering full- and part-time CCC transfers are included in cohorts referenced in the CSRDE reporting. Both approaches for calculating first-time freshmen and CCC transfer graduation rates in the CSU align with reporting standards used nationally.

Ken O'Donnell, senior director for student engagement and academic initiatives and partnerships, presented an update on the Graduation Initiative's next phase, known as Graduation Initiative 2025, which officially launched with a systemwide summit on October 15, 2014, that included all 23 campus presidents, provosts, vice presidents for student affairs, and senate chairs. The next

phase aligns with a report published by the Public Policy Institute of California (PPIC) that said the state will be one million baccalaureate degree holders short by 2025. Although the initiative set out to both raise graduation rates as well as close the achievement gap, the CSU is on track to meet and even exceed the initial graduation rate targets though the achievement gap persists. The next phase of the initiative, as outlined at the systemwide summit, aims to expand targets to include those for freshmen four- and six-year and transfer two-year graduation rates. Mr. O'Donnell added that work in the next phase will also track differences in graduation rates for students who are eligible for Pell grants, as well as for those who are African-American, Latino, or Native American.

The systemwide summit also marked the launch of the CSU Student Success Dashboard which campuses will be able to use to capture, share, and report data as well as compare their own historical and projected campus data to the targets derived by the Education Trust to develop and modify approaches to reach each of their targets in the next phase of the Graduation Initiative 2025. Mr. O'Donnell concluded his report stating that the chancellor would provide greater detail on the systemwide targets in his State of the CSU address at the January board meeting.

Trustee Roberta Achtenberg requested that in subsequent reports the foundational work done prior to the launch of the Graduation Initiative in 2009, such as Cornerstones and Access to Excellence, be mentioned or referenced in order to acknowledge the work that had been accomplished laying the groundwork that evolved into the rebranded Graduation Initiative.

Trustee Rebecca Eisen asked about the perceived emphasis on the four-year graduation rate as being somewhat preferable in relation to the six-year graduation rate. Mr. O'Donnell prefaced the answer by saying that the goal of the CSU is to first and foremost serve our students which encompasses a diverse student population that may be able to complete the degree in four years but also we serve students that have other responsibilities and may work full time and will need to take a five or six year track to successfully graduate. The emphasis is on providing students with accurate, accessible advising, support services and required courses they need to graduate in a timely manner that is conducive to their success. President Leroy Morishita noted a past study that used enrolled time-to-degree as a metric and cited that this metric could be an alternative index of success.

Student Trustee Kelsey Brewer asked about capacity and enrollment capabilities and the ability to meet the 2025 graduation targets given moderate state funding for increased enrollments. Mr. O'Donnell clarified that the targets are based on percentages of total enrollments.

Trustee Steven Glazer raised the question regarding the role of the board in setting graduation targets. Trustee Roberta Achtenberg commented that the board's role had been and should continue to be to strike an authentic balance playing its correct role of oversight while respecting the leadership role of the chancellor, his staff, the individual presidents and campuses to determine their metrics of success.

Trustee Doug Faigin commented that adding the four-year graduation rate to the 2025 targets is important to include in the conversations but the CSU should perhaps review the standards of how graduation rates are currently calculated. Chancellor White explained that the calculation rates, as explained by Dr. Sullivan earlier in the presentation, are based on national standards established by congressional statute as reported in IPEDS. Chancellor White stressed again that the mission and goal of the CSU is to serve all of its students and support their individual success.

Trustee Adam Day asked about the problem with students who delay their graduation due to factors such as a weak job market and how this affects access and strategies to address what are referred to as super seniors. Mr. O'Donnell said that the number of super seniors has declined and may come to the board to discuss potential policies to continue to decrease that number. Executive Vice Chancellor Smith noted that the super senior population represents about 8 percent of the total senior class.

Chancellor White concluded the discussion by saying he has convened a task force to review and develop a sustainable financial model for the CSU that incorporates policies to address resource acquisition and distribution, fiscal management, and financial aid. He added that all three of these areas are interrelated pieces of the university ecosystem that have an important bearing on the discussion at hand.

**Student Success and Completion Initiatives**

Ephraim Smith, executive vice chancellor and chief academic officer introduced the item stating the report was in response to the board's request at its September meeting to discuss how the California State University (CSU) evaluates spending on student success and completion initiatives, in particular with regards to the $38 million allocation request in the 2015-2016 support budget. In addition, trustees requested more information regarding accountability and assessment measures of current student success and completion initiatives. Ken O'Donnell, senior director for student engagement and academic initiatives and partnerships, presented a PowerPoint explaining the CSU's proposed spending on student success arises from the system's longstanding commitments to educational quality and access to both admission and a timely, successful graduation.

In order to quantify these gains and address questions raised by the board and others, Mr. O'Donnell highlighted the six items comprising the $38 million budget request allocation for student success and completion initiatives that include: faculty hiring ($11 million), high-impact practices for student retention ($9 million), improved advising ($7 million), student preparation ($5 million), data-driven decision making ($4.5 million), and course design ($1.5 million). He prefaced the remaining discussion with the fact that the budget request was not necessarily for new initiatives but critical funding to continue many student success and completion initiatives already underway. He said two of the biggest-ticket items are an effort to restore some of the educational infrastructure, most importantly funding for faculty and advisors, lost in the

recession. Through the CSU Graduation Initiative, the CSU has made remarkable strides improving four- and six-year graduation rates and in order to continue that momentum, more people are needed on the ground to interact with students, expertly guiding their successful development both in and out of the classroom, he said. The student preparation and course design items are in response to recent board directives, including the Graduation Initiative and Early Start Program, where data has revealed that academic preparation is the biggest single predictor of success for CSU students, swamping other factors like socioeconomic status and parents' educational attainment. Mr. O'Donnell said evaluating the success of these two interventions continues to be promising and would provide regular updates to the board.

He noted that one of the biggest ticket items in the budget request that is harder to evaluate, is the investment in high-impact practices. Because it is both difficult and crucial to evaluate the effectiveness of these initiatives, Mr. O'Donnell explained that while the nomenclature is somewhat new the pedagogy is not; stating that early evidence of the value of high-impact practices is promising. Researchers in the CSU and elsewhere have used the National Survey of Student Engagement to identify strong correlations between participation in high-impact practices and positive educational outcomes such as deeper learning, improved persistence and graduation rates, and narrower achievement gaps. He added that continuing work to better capture student engagement and performance, which research to date has been derived mostly from student surveys, the CSU is now leading national efforts to develop more reliable and robust evaluations of high-impact practices, derived not from survey responses but from institutionally validated student academic records. With the $7.2 million from the 2014-2015 budget allocation, the CSU awarded 15 campuses with funding to develop reliable definitions of high-impact practices like "undergraduate research" and "learning communities," which resulted in taxonomies that help to better define and report the data systemwide. Additionally, grant funded projects to improve student academic records will contribute to greater data capture and more robust research.

Speaking to evidence of how efficacy and cost-effectiveness of student success and completion initiatives has helped inform top-level decision making on CSU campuses, President Joseph Sheley said CSU Stanislaus had recently won praise from Education Trust for its work raising graduation rates and closing achievement gaps. Campus leadership attributes these gains in part to its commitment to engaged learning for all students, reflected in the recently won Carnegie designation for community engagement, and a Title V grant to support expansion of its successful First-Year Experience. He said that because they arise from peer review, such grant awards and third party recognition provide some of the strongest qualitative evidence that these programs improve not only student success metrics, but also the depth and quality of the educational experience.

President Leroy Morishita noted the student engagement programs and high-impact practices in effect at CSU East Bay have won repeated recognition in national publications, and qualitative evidence of their efficacy has been strong for years. However, he added that campus leadership has been frustrated that these programs have failed to result in acceptable six-year graduation

rates. Last year the university proposed spending part of the chancellor's $7.2 million allocation for Academic and Student Success Programs for a program called Gaining Access 'N Academic Success (GANAS), targeting first-year persistence for Latino students in particular. President Morishita said early quantitative evidence of the program's success and cost effectiveness is extremely strong, prompting the institution to add to its own match to the chancellor's support.

Finally, President Mildred Garcia said CSU Fullerton's institutional commitment to engaged learning is unusually explicit. She cited that the university's strategic plan commits it to providing at least 75 percent of its students with at least two high-impact practices by 2018 – a scale of delivery that will reach tens of thousands, and may be the first of its kind in the nation. She said to operationalize this commitment, the university has had to create administrative structures in enrollment management, information technology, and business practices that other CSU campuses are learning from, in a Gates-funded project called "Preparing to Bring High-Impact Practices to Scale." She concluded by stressing that this forward-thinking, systematic approach to making engaged learning available to all students on an equitable basis is cutting edge, yet also epitomizes longstanding values of the CSU.

Trustee Lupe Garcia applauded the system and campuses for their efforts and ability to quantify difficult metrics with regards to student success and asked if these and other examples could be included in the proposed Academic Sustainability Plan to further support and stress the critical need for improved state funding.

**Preparing Educators for the Common Core State Standards**

Dr. Beverly Young, assistant vice chancellor for teacher education and public school programs, presented a brief update on the significant work of the California State University (CSU) in preparing educators for the Common Core State Standards (CCSS), the aligned Next Generation Science Standards (NGSS), and the new assessment system for California's K-12 schools. Dr. Young said that with support of the S.D. Bechtel, Jr. Foundation, the CSU launched the Preparing a New Generation of Educators for California Initiative. She said the foundation would provide an initial $3 million grant to launch this systemwide initiative, with a commitment to continuing to support the work in preparing educators for the challenges of the new standards, requiring transformation in the ways new educators are prepared. The funding is meant for big ideas and major strategic reforms intended to transform educator preparation.

Dr. Young stressed the importance that central to the vision of transformative teacher preparation is close collaboration with K-12. The goal is to ensure that all teacher candidates are working side-by-side with outstanding practitioners in developing the knowledge, skills, and dispositions they need to be future leaders of the new generation. She next discussed the federal Teacher Quality Partnership (TQP) program has one that has become the nation's premiere teacher education federal funding program that provides substantial five-year grants to programs selected through a highly competitive process. Judged to be among the best in the nation, the goal of the TQP grants is to provide support to develop and sustain models, particularly in STEM education,

that can then be used for other institutions to learn from and emulate. Across the nation, only 24 institutions were selected in 2014 for TQP grants, seven of the 24 were CSU campuses. Dr. Young said the CSU was successful in winning nearly one-third of all federal funding for the nation with CSU Dominguez Hills receiving the highest amount of any campus. Like the Bechtel initiative, the TQP program also reflects that clinical residencies with excellent mentors result in the best prepared teachers, she noted. The TQP grants also provide for two years of induction. This had been a high priority across the state and the CSU is exploring ways to continue to address that.

In addition to successful external funding, the CSU has been devoting much attention internally to ensure that faculty in educator preparation programs are not only expert in these new areas, but have opportunities to share with their colleagues across the system. Dr. Young said that the CSU hosted six regional meetings, led by a group of CSU faculty experts, with over 300 faculty from every campus participating in the discussion. She added that continuing discussions with funders are aimed at supporting an expansion of this model for the coming spring and that the CSU is developing a proposal to support the creation of a statewide group of CSU faculty with expertise in teacher education. Dr. Young highlighted that two CSU campuses, Northridge and San Bernardino, had recently been awarded $3 million each from the U.S. Department of Education's Investing in Innovation Fund (i3) program for developing innovative approaches to improving student achievement that can serve as models for best practices across the nation. On Veteran's Day, the CSU also received a renewal award for $300,000 for the California STEM Military Pathway to Teaching program that supports preparation for veterans transitioning to become math and science teachers in CCSS and NGSS. The CSU's ongoing collaborations and partnerships with K-12, state and national agencies, and external connections and funders such as Chevron, Boeing, Southern California Edison, and the James Irvine, David and Lucile Packard, Noyce, and S. D. Bechtel, Jr. foundations will continue to provide the critical framework of support to advance the vision for outstanding teacher preparation programs. Dr. Young acknowledged the important work of Dr. Joan Bissell, CSU Director for Teacher Education and Public School Programs, for her extensive expertise and critical contributions in securing each of the awards.

Trustee Margaret Fortune asked about how teacher preparation for the new standards is specifically addressing bridging the gap in preparation needed form the old state content standards to new CCSS. Dr. Young explained that the shift to the new standards requires new pedagogical approaches and one way this is being addressed is through a co-teacher model with student teachers working with expert mentor teachers and also incorporating the use of a digital library for greater access to instructional materials and curriculum.

Trustee Adam Day asked how success would be defined given these new efforts and initiatives in teacher preparation and what are some of the expected outcomes. Dr. Bissell stated that these new programs are focused on first defining what new teachers need to know in regards to teaching the new content standards, starting with math as an area of concentration and looking at what the best measures are nationally to gauge effectiveness. Additionally, for years the CSU has

conducted surveys on individual self-assessments and principal assessments of teacher effectiveness and utilize that data to evaluate teacher performance and subsequently teacher preparation in the CSU and will continue to use these methods.

Trustee Farar adjourned the Committee on Educational Policy.

**COMMITTEE ON EDUCATIONAL POLICY**

**California State University Libraries of the Future**

**Presentation By**

Gerry Hanley
Assistant Vice Chancellor
Academic Technology Services

Anna Gold
Library Dean
California Polytechnic State University, San Luis Obispo

**Background**

**Libraries are vital to fulfilling the mission of the California State University (CSU)**. CSU libraries provide foundational, inclusive, and effective academic support to 450,000 students, 22,000 faculty, and to millions of California community members. At each of CSU's 23 diverse campuses, libraries are critical to student success. Together, they play an irreplaceable role in advancing education in California.

CSU libraries:

- Assure every CSU student has equitable access to quality **academic content** for learning, quality **learning environments** that demonstrably increase student academic success, and quality **technologies** that prepare students to contribute to the 21st century workforce. The demand for library services, both in-person and online, is tremendous. Over 40 million visits were recorded to CSU libraries in 2014, with the system's digital library services representing five of the CSU Chancellor's Office's ten most-visited websites.
- Provide CSU faculty with the resources needed to **positively impact student learning** and contribute to California's vibrant culture and economy through **research, scholarship, innovation, and creative activities**. CSU library services ensure that each member of the CSU faculty, regardless of campus or discipline, can draw on a knowledge base of high quality, continuously updated, and accessible journals, books, multimedia, data, and primary resources.
- Are critical to meeting the demands of **regional and disciplinary accreditation,** the backbone for CSU's institutional success. Academic programs across every discipline are required to demonstrate that students and faculty have access to quality academic content and that students are learning the information and skills critical to lifelong and professional success. CSU libraries are uniquely capable of ensuring that every CSU campus and program meets these requirements.

**Libraries are leading innovations and modeling efficiency.** The CSU libraries have been leaders in transformational technologies and business models for years and continue to break new ground in achieving efficiencies and savings across the entire CSU system.

- CSU libraries and the Chancellor's Office save over $12 million dollars each year by cooperatively purchasing tens of thousands of digital ejournals and ebooks, licensing shared technologies, and leveraging the size of the CSU to negotiate significant savings.
- CSU digital library services manage about one billion digital academic assets with six million searches and five million full-text downloads each year, using local and systemwide discovery and access tools. The scale and scope of these services is one of the largest in the nation.
- CSU digital library services designed and developed a library technology platform, Xerxes, in an open source environment that has saved the CSU millions of dollars annually and has been adopted around the world.
- CSU digital library services partnered with major library companies to create innovative library technologies that provide CSU library users reliable, easy, and cost-effective ways to get access to the academic content they need.

**Libraries are designing services for CSU's future.** A foundation based on vital services, innovative practices and collaboration have enabled CSU libraries to recognize emerging needs and opportunities. Libraries can then take the necessary steps to deliver innovative services for CSU's faculty, students, and universities. Working with a group of CSU provosts, the CSU Council of Library Deans (COLD) has begun four major projects that will meet evolving needs by taking advantage of new library technologies. The four major projects include:

1. <u>UNIFIED LIBRARY MANAGEMENT SYSTEM:</u>
   The CSU Council of Library Deans (COLD) is in the process of adopting an innovative, unified, cloud-based service platform to manage and deliver library content and services. The benefits of a single integrated and unifying library management system include:
   - Increased equity in the quality of library services delivered to every student and faculty member on all CSU campuses.
   - Increased effectiveness and efficiency to leverage the extensive local library expertise across campuses through systemwide library services.
   - Increased buying power through our competitive Request for Proposals (RFP) process and shared licensing.
   - Increased campus collaboration that provides the basis for higher quality and more cost effective services as the libraries evolve.

   The RFP process for an advanced Unified Library Management System is currently underway. A decision is expected to be made in late spring 2015. Strategic investments of $2 million over the next three years will migrate 23 separate systems to one unified system.

Annual operational costs will be funded collaboratively by pooling the campus resources previously used to fund separate systems.

2. PRINT COLLECTION MANAGEMENT:
As the demand for and usage of digital content increases, the demand and usage of print journals and books decreases. Libraries, working with their academic departments and programs, have to re-balance their investment strategies to provide access to print and digital collections. Using nationally-tested algorithms and data analysis tools, the CSU libraries have greatly enhanced their abilities to evaluate the usage and overlap of the many millions of print resources at individual campuses, and across the CSU system, UC system, and other library consortia. Using the reliable and detailed knowledge provided by these technologies, libraries can collaboratively reshape their existing and future library collections to address the changing needs of students, faculty, and academic programs. Twenty-one campuses have adopted the "Green Glass" technology for print collection management activities.

3. LEARNING SPACES:
CSU libraries guarantee each CSU student a place to study, collaborate, use technology and receive just-in-time help to succeed academically. CSU library services also bring together learning support services from other campuses, such as writing centers and tutoring services, in technologically rich, collaboration-friendly spaces. To better serve the more than 800,000 library visits every week, CSU libraries are redesigning their facilities to align with student learning styles and faculty's changing pedagogies. At every stage of their work, from first-year undergraduates establishing consistent study habits to students completing complex capstone projects, CSU students benefit from the integrated learning they experience in CSU libraries. Libraries provide students the collaboration spaces and tools they need, as well as technologies to access, create, and share learning products that will prepare them for the professional workplace.

4. AFFORDABLE LEARNING SOLUTIONS:
As reported at the July 22, 2014 Board of Trustees meeting, the CSU is leading the nation in providing students low and no-cost course materials which in turn greatly improve the affordability of a CSU education. CSU librarians are working with faculty to find and adopt ebooks and collections of ejournals that are freely available to students and faculty from digital library collections. The CSU has also created technologies that enable faculty to rapidly identify high quality, free and open online materials and ebooks simply by typing in the ISBN of the textbook they have used in their course. The CSU leadership, by designing and delivering the California Open Online Library for Education (www.cool4ed.org) has recently been recognized by the Directors of Educational Technology/California Higher Education with the "Outstanding Instructional Technology Website" award.

The CSU libraries provide vital services that lie at the foundation of CSU's ability to deliver equitable access to education. They continue to be leaders in educational innovations that directly benefit our students, faculty, staff, community members, and institution. In addition, CSU libraries are exemplary in their efforts to adopt efficient and collaborative practices and solutions that deliver sustained high returns on investment. Strategic investments in CSU libraries are critical to providing an equitable, competitive education inclusive of the quality learning, teaching, research, scholarship, and creative activities that serve as the hallmark of every CSU campus.

**COMMITTEE ON EDUCATIONAL POLICY**

**California State University STEM Collaboratives**

**Presentation By**

Ken O'Donnell
Senior Director
Student Engagement and Academic Initiatives & Partnerships

Dawn M. Digrius
Senior Project Manager, STEM Collaboratives

**Summary**

Last spring the California State University (CSU) was awarded a $4.6 million dollar grant from the Leona M. and Harry B. Helmsley Charitable Trust to improve equity and persistence for science, technology, engineering, and math (STEM) majors. The funding launched "STEM Collaboratives," a new approach to engaging students in high-demand subjects during their first years of college. This report summarizes the project rationale, progress to date, and expected outcomes.

In 2011-2012, the 23 CSU campuses awarded 76,427 baccalaureate degrees, 10,651 in STEM majors, of which, more than a quarter were earned by Hispanic, Native American, or African American students (Under-Represented Minority or URM). Across all majors, the CSU educates more Hispanic, African-American, and American Indian undergraduates than all other institutions in the state combined.

Of the students who declare a STEM major upon acceptance to the CSU, approximately 35 percent of non-URM students graduate with a STEM degree, a number that drops to 17 percent for URM students. Another 16 percent go on to graduate in majors other than STEM and others either transfer to another institution or fail to graduate. The CSU's overall student success rates for STEM are comparable to those for students in other majors; what makes STEM different is the disproportionate number of URM and first-generation students who do not make it all the way through.

Consistent with national patterns identified by the President's Council of Advisors on Science and Technology, the CSU experiences a sharp drop-off among all students between admission to a STEM major and graduation. Some reports demonstrate the challenge is not always tied to college readiness but rather the initial foundational (gateway) courses, which could do more to engage and excite STEM students. Thus, revisions to these courses, together with enhanced pre-

entry campus climate orientations and early academic advising, appear to be key factors in developing an early support structure for aspiring scientists and engineers.

Since receiving the Helmsley grant, the Chancellor's Office invited campuses to propose an integrated suite of interventions to redesign STEM education. These strategies begin with immersive, hands-on education the summer before freshman year; continue with first-year experiences that cross departmental, disciplinary, and divisional lines to fully engage STEM students through the following spring; and incorporate the redesign of introductory, gateway courses like chemistry, calculus, and physics, critical for engagement and success in the major.

Of the 19 CSU campuses that made proposals, eight were selected as first-round "demonstration sites." Each of these "STEM Collaboratives" is now designing purposeful, integrated pathways for their incoming students, through close collaboration across academic departments and divisions of academic and student affairs. The first cohorts will enroll in summer 2015.

Within the project's overall framework, interventions are tailored to local needs and opportunities:

*Channel Islands* - Redesigning Science, Math, and First-Year STEM Seminars
*Dominguez Hills* - First-Year Undergraduate Experiences (FUSE) with Peer Mentoring
*East Bay* - Integrating Redesign, Mentoring, First-Year Experience in Biology
*Fresno* - Sustainability as a Lens for STEM Education Engagement
*Fullerton* - Integrating Redesign, Faculty Development, and First-Year Experiences
*Humboldt* - Sustainability and Local Native Americans
*Los Angeles* - Redesigning Math, Engineering, and STEM Advising
*Pomona* - Integrating Mentoring, Redesign, and "Learning by Doing"

Critical to the success of the overall project will be robust, built-in assessment and evaluation so the CSU can better understand how to structure STEM education to attract, engage, and retain students of all backgrounds. The CSU expects to learn about the interactive effects of multiple, concurrent high-impact practices, the benefits of intentional cultural change at the department level, and the cost effectiveness of bringing very high quality programs to scale.

Campus teams at the demonstration sites are encouraged by the project leaders at the Chancellor's Office to live up to the name *Collaborative*, and has in turn partnered with multiple system-level programs and departments including:

Center for Community Engagement
CSU Program for Education and Research in Biotechnology (CSUPERB)
Early Start Program
Graduation Initiative
Institute for Teaching and Learning (ITL)
CSU STEM VISTA (Volunteers in Service to America)

Enrollment Bottleneck Solutions
Research Initiatives and Partnerships
Student Success Dashboard

In early April 2015 STEM Collaboratives will host a meeting at Cal Poly Pomona for *all* CSU campuses pursuing work of this kind, not just those who received an award, to share best practices, learn more about the project, and inform system-level proposals for follow-on funding. Additional support, if it materializes, could expand the project by adding demonstration sites, carrying themed, integrated interventions into the second year with a focus on undergraduate research, or involving the California Community Colleges.

**COMMITTEE ON EDUCATIONAL POLICY**

## The Apple Distinguished Program Award

**Presentation By**

Dianne F. Harrison
President
California State University, Northridge

Anne VanMiddlesworth
National Higher Education Development Manager, Apple Education
Apple, Inc.

**Summary**

California State University, Northridge (CSUN) has been recognized by Apple, Inc. as a "distinguished program for innovation, leadership, and educational excellence" for its myCSUNtablet initiative. This award is given to campuses that demonstrate visionary leadership, innovative teaching and learning, ongoing professional learning, evidence of success, and flexible learning environments.

The myCSUNtablet initiative began in fall 2013 with the goals of increasing student engagement and learning, improving the quality of instructional materials, and reducing costs. Today over 100 faculty in eight departments are teaching with tablets with student enrollment in these classes reaching over 5,600 to date. The initiative is paired with an eText initiative that produces faculty-authored digital textbooks for delivery on tablet devices for free or low cost. Early assessment results suggest that the use of tablets can have a significant, positive impact on student learning outcomes as evidenced by quiz scores, knowledge retention, and the increased attainment of skills and abilities. By encouraging a culture of innovation, myCSUNtablet serves to mobilize learning so that it can be delivered inside the classroom or out, anywhere and anytime. CSUN produced a multimedia iBook telling the story of the initiative that contains photos, videos, and evidence of success. The iBook, entitled *myCSUNtablet,* is available at the Apple iBooks store.

Anne VanMiddlesworth, National Higher Education Development Manager, Apple Education, from Apple, Inc., will present a congratulatory plaque for this significant award to President Dianne F. Harrison at the January board meeting.

## COMMITTEE ON EDUCATIONAL POLICY

**The Wang Family Excellence Award**

**Presentation By**

Timothy P. White
Chancellor

**Background**

At the March 2014 Board of Trustees meeting, Chancellor Timothy White announced Trustee Emeritus Stanley T. Wang had generously pledged a $300,000 gift to the California State University (CSU) to reinstate the Wang Family Excellence Award. During his tenure as a trustee, Trustee Emeritus Wang established the Wang Family Excellence Award and also created a fund at the CSU for student and faculty overseas study. The award was originally established in 1998 when then-CSU Trustee Wang provided $1 million to recognize the remarkable contributions of the CSU's faculty and administrators over a 10-year period with a $20,000 award to each of four faculty members and one staff member annually. With his most recent pledge, the Wang Family Excellence Award will be reinstated for the next three years, to once again provide a $20,000 award to each of four outstanding faculty members and one outstanding administrator.

The purpose of the Wang Family Excellence Award is to recognize and celebrate those CSU faculty members who, through extraordinary commitment and dedication, have distinguished themselves by exemplary contributions and achievements in their academic disciplines, while having a discernable effect on students. Similarly, an administrator is also recognized for extraordinary accomplishments in appropriate areas of his or her university assignment. Their exemplary activities and achievements advance the university's mission, bring benefit and credit to the CSU, and enhance the CSU's excellence in teaching, scholarship, and service.

The selection process for the award consists of each campus president annually nominating for consideration by the Wang Award Selection Committee one probationary or tenured faculty member from each of the following academic discipline groupings:

a) Visual and Performing Arts and Letters;
b) Natural Sciences, Mathematical and Computer Sciences and Engineering;
c) Social and Behavioral Sciences and Public Service; and
d) Education, and Professional and Applied Sciences.

The campus presidents also may nominate one outstanding administrator from their respective campuses.

The Wang Family Excellence Award Selection Committee, appointed by Chancellor White in consultation with Trustee Emeritus Wang, includes: two members of the Board of Trustees, the Executive Vice Chancellor and Chief Academic Officer, the Vice Chancellor for Human Resources, chair of the CSU Systemwide Academic Senate, and a CSU faculty member previously recognized by the Wang Family Excellence Award for outstanding accomplishments. Nominees are reviewed and considered for selection based on the following criteria:

- Awards will be made to those who have made truly remarkable contributions to the advancement of their respective universities and/or the CSU system.
- Nominees should have a demonstrated record of unusually meritorious achievements documented by evidence of superior accomplishments and contributions to the discipline or achievements in an assignment.
- The activities must advance the mission of the university, bring benefit and credit to the CSU, and contribute to the enhancement of the CSU's excellence in teaching, learning, research, scholarly pursuits, student support and community contributions.

The Wang Family Excellence Award will be presented during a ceremony at the January 2015 Board of Trustees meeting.

# AGENDA

## COMMITTEE ON ORGANIZATION AND RULES

**Meeting:** **8:00 a.m., Wednesday, January 28, 2015**
**Glenn S. Dumke Auditorium**

Steven G. Stepanek, Chair
Hugo N. Morales, Vice Chair
Roberta Achtenberg
Debra S. Farar
Margaret Fortune
Lupe C. Garcia
J. Lawrence Norton

**Consent Items**

Approval of Minutes of May 21, 2014

**Discussion Items**

1. Proposed Schedule of Board of Trustees' Meetings, 2016, *Information*

**MINUTES OF MEETING OF**
**COMMITTEE ON ORGANIZATION AND RULES**
**Trustees of The California State University**
**Glenn S. Dumke Conference Center**
**401 Golden Shore**
**Long Beach, California**

**May 21, 2014**

**Members Present**

J. Lawrence Norton, Chair
Roberta Achtenberg, Vice Chair
Margaret Fortune
Lupe C. Garcia
Bob Linscheid, Chair of the Board
Hugo N. Morales
Timothy P. White, Chancellor

Trustee Norton called the meeting to order.

**Approval of the Minutes**

The minutes of the March 25, 2014 meeting were approved as submitted.

**Action Item**

Trustee Norton introduced one action item on the agenda, proposed Schedule of Meetings for 2015, and commented that these dates do not conflict with any of the meetings with the UC Board of Regents. The committee voted to approve the resolution.

The meeting adjourned**.**

## COMMITTEE ON ORGANIZATION AND RULES

**Proposed Schedule of Board of Trustees' Meetings, 2016**

**Presentation By**

Steven G. Stepanek
Chair, Committee on Organization
and Rules

**Summary**

The following schedule of the CSU Board of Trustees' meetings for 2016 is presented for information and will be proposed for action at the May 2015 meeting.

**Proposed 2016 Meeting Dates**

| | | |
|---|---|---|
| January 26-27, 2016 | Tuesday – Wednesday | Headquarters |
| March 8-9, 2016 | Tuesday – Wednesday | Headquarters |
| May 24-25, 2016 | Tuesday – Wednesday | Headquarters |
| July 19-20, 2016 | Tuesday– Wednesday | Headquarters |
| September 20-21, 2016 | Tuesday – Wednesday | Headquarters |
| November 8-9, 2016 | Tuesday – Wednesday | Headquarters |

# AGENDA

## COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

**Meeting:** **8:00 a.m., Wednesday, January 28, 2015**
**Glenn S. Dumke Auditorium**

Hugo N. Morales, Chair
Lillian Kimbell, Vice Chair
Roberta Achtenberg
Douglas Faigin
J. Lawrence Norton

**Consent Items**

Approval of Minutes of Meeting of November 13, 2014

**Discussion Items**

1. Executive Compensation: Executive Vice Chancellor for Academic and Student Affairs, *Action*
2. California State University Chancellor's Evaluation Policy, *Action*
3. Executive Compensation: Individual Transition Program, *Information*

**MINUTES OF THE MEETING OF**
**COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL**

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

**November 13, 2014**

**Members Present**

Lillian Kimbell, Vice Chair
Roberta Achtenberg
Douglas Faigin
J. Lawrence Norton
Timothy P. White, Chancellor
Lou Monville, Chair of the Board

Trustee Kimbell called the meeting to order.

**Approval of Minutes**

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

**Executive Compensation: President – California State Polytechnic University, Pomona**

Chancellor Timothy P. White proposed an annual salary of $292,000 and a monthly auto allowance of $1,000 for Dr. Soraya M. Coley as president of California State Polytechnic University, Pomona. He noted that the proposed compensation was equal to the current president's pay and the auto allowance was in accord with existing policy. He stated that Dr. Coley will be required to reside in the official university residence for the president and she will receive standard benefits for Executives including relocation benefits. The item was adopted as submitted. (RUFP 11-14-07)

**Annual Report**

Ms. Lori Lamb, vice chancellor of human resources, presented the annual report on vice presidential compensation, executive relocation expenses and executive transition programs. She provided the board with historical context noting that the annual report was established by the board as a result of recommendations by the Bureau of State Audits in 2007.

Referring to the vice presidential compensation items listed in the attachment to Agenda Item 2, Ms. Lamb stated that salaries for new vice presidents and compensation changes to existing vice presidents fell within salary guidelines and were reviewed by human resources and by the chancellor. She noted that the system has brought transparency and consistency to vice presidential salary setting as was the intent of the board's resolution.

With regards to executive relocation costs, Ms. Lamb indicated that the system could not attract or recruit executives without providing this benefit. She stated that relocation costs are monitored to ensure compliance with applicable rules and regulations and to ensure the system is relocating individuals in a cost effective manner. Details are provided in the agenda item.

Ms. Lamb continued with an update on executive transition programs. She explained that in the past trustees provided for the transition of leadership with a trustee professorship which was replaced by the Executive Transition Program and later, the Executive Transition II Program. She noted that the CSU has a contractual obligation to executives hired under the earlier programs. There is only one trustee professor continuing to serve and only a single current president remains eligible for a trustee professorship. She referred to the agenda item noting that three individuals are currently in a transition assignment and one of those assignments will end by December 31, 2014.

Trustee Eisen asked if the Executive Transition II continues to be in effect and if so, is there a date when it expires and a new program has to be considered. Ms. Lamb responded that the Executive Transition II continues to be in effect and there is no sunset on the program so it does not have to be reviewed unless the trustees so choose.

Ms. Lamb stated that staff fully supports providing this report in the spirit of transparency and compliance with the previous board resolution; however, the information, particularly on vice presidential compensation, is difficult to understand because it lacks appropriate context. She recommended a more thorough evaluation of compensation issues for all employees rather than the current report methodology which views only a specific segment of the university's population. She solicited board input to re-examine the resolution in favor of receiving a more comprehensive report. Chair Monville agreed and asked that staff work with the Committee on University and Faculty Personnel and report back to the board.

Trustee Glazer noted that the policy on presidential compensation expired in January of this year. Chair Monville clarified that the policy did not expire rather the language called for a review of the policy; however, he did agree that it would be appropriate to review the policy at this time. Ms. Lamb responded that the policy review is in the queue and would go hand in hand with a thorough review of compensation issues.

**Compensation for Unrepresented Employees**

Ms. Lamb provided a brief update on the 2014/2015 compensation pool for Management Personnel Plan, Confidential, and Excluded employee groups. She explained that consistent with the amounts negotiated for other employee groups, Chancellor White authorized a three percent compensation pool for eligible unrepresented employees effective July 1, 2014. She noted that while salary lags will not be corrected overnight, incremental salary increases and targeted equity adjustments over the next several years will help narrow the gap.

**Compensation for Executives**

Trustee Kimbell noted that the item would be presented by Chancellor White, Trustee Garcia and Chair Monville.

Chancellor White stated that he would make compensation recommendations for campus presidents and system executives. Compensation for the vice chancellor and chief audit officer would be recommended by the chair of the Committee on Audit.

Chancellor White stated that executives have not received a salary increase since 2007 and last year's 1.34 percent increase was not extended to executives. He recommended a three percent increase, the same amount authorized by the board for faculty and staff. He further recommended that, where necessary, the three percent increase be implemented with respect to the executive's total compensation. He indicated that he intends to return to the board to discuss remaining market and equity issues for executives; this aligns with ongoing efforts to address these same issues for faculty and staff.

As chair of the Committee on Audit, Trustee Garcia recommended compensation to the full board for Mr. Larry Mandel, vice chancellor and chief audit officer. She acknowledged that the chief audit officer should be compensated in the same manner as other executives. Trustee Garcia explained to the board that pursuant to the Audit Committee Charter, compensation for the chief audit officer is set at the recommendation of the Committee on Audit in consultation with the chancellor. On behalf of the Committee on Audit, she recommended approval of a three percent increase for Mr. Mandel.

Chair Lou Monville presented a compensation increase for Chancellor White. He recommended a three percent increase be applied to the chancellor's total compensation. He indicated that it was fair to compensate the chancellor in the same manner as other employee groups across the CSU.

Trustee Kimbell called for a motion and second which was followed by a discussion.

Trustee Garcia indicated that she supported the three percent increase; however, she did not support applying state funds to supplemental income. She recommended having the foundations assist with the three percent as it applied to supplemental income. She also noted that increases were recommended for individuals hired over the last couple of months which she felt was not necessarily the best approach going forward.

Trustee Day agreed with Trustee Garcia's concerns adding that he felt it was inappropriate for a portion of executive pay to come from a foundation. He indicated that since the policy was in place he would support the foundation picking up its share but in the future would like to see a policy that was more equitable. He recommended this be brought back to the board with thought given to structure to avoid any controversy when establishing pay for these positions. He discussed a tiered approach based on factors such as size, number of students, budget, geographic location, cost of living, etc., and as vacancies occur, the salary is based on those factors and established market rates so expectations are clear upfront.

Trustee Faigin also agreed with Trustee Garcia's concern about state funds being applied to foundation dollars. He noted that when the salaries were set using foundation dollars it was indicated that the supplements were fully supported by the foundation and now, state dollars are being added on top of those foundation dollars. He added that while the amounts are not large, it is the context and philosophy that is of concern.

Trustee Eisen asked for clarification that a president whose compensation was approved today would also receive an increase under this item. Chancellor White indicated that it was understood at the time of recruitment that the individual would be eligible for the three percent increase.

Trustee Achtenberg pointed out that our executives continue to be up to 40 percent below the market, and as a business practice, this poses a challenge to the university. She acknowledged that it is not popular, but it is something that needs to be taken into account as upcoming policies are reviewed and as today's compensation actions are considered. She indicated her intent to vote for this item and recognized the comments and concerns expressed by others.

Trustee Garcia reiterated that her concern is not about the increase specifically but rather the approach that is being proposed. Trustee Glazer indicated that he was prepared to support the three percent increase; however, he agreed that the three percent should not be applied to foundation funds.

Chancellor White acknowledged the concerns expressed by Trustee Garcia and other board members in regards to the three percent being applied to foundation monies. He indicated that with the presidents sitting on the foundation board, as opposed to when they were initially appointed, it has created a difficult situation within our current policy. He noted that only six presidents receive a supplement as part of their total compensation and the adjustment from state funds would range from 3.2 percent to 3.4 percent. He continued that these presidents are not being treated differently than faculty who will likely receive up to 4.6 percent due to the GSI and SSI negotiated for those respective colleagues.

Ms. Lamb indicated that asking the foundations to give a raise to a sitting member of the board would in fact create an appearance of a conflict of interest. She added that going forward the issue of supplemental compensation from external sources needs to be addressed. Additionally, market rates need to be clearly established and compensation set accordingly as opposed to using foundation funds. She added that while not ideal from a human resources and compensation perspective, it is a step towards dealing with market issues and opens up dialogue on how this might be done more effectively in the future.

Mr. Fram Virjee, executive vice chancellor and general counsel, remarked that from a conflict of interest perspective going back to a foundation with a sitting president on the board and asking that they participate in this creates more than an appearance of conflict, it creates a conflict. Mr. Garrett Ashley, vice chancellor of university relations and advancement, added that if this were to go before the respective foundation boards, they would not necessarily treat this request in the same manner and timeframe.

Stating that the board's wishes would be respected in this regard, Chancellor White also remarked that these are the consequences of a policy that was put in place at a different time. He agreed with Trustee Day and others who called for a comprehensive review of the compensation policy and bringing it back for future discussions with the board.

Trustee Garcia remarked that it appears we are living with an inherent conflict of interest because foundations continue to provide supplemental income. She found this concerning and agreed with Trustee Day that the policy be re-evaluated to avoid these situations going forward.

Trustee Faigin indicated that he supported the overall three percent but he did not support the three percent being applied to the foundation monies. He called for a motion to amend the proposed compensation whereby the three percent is not applied to foundation monies. Additionally, he encouraged the various foundations apply a similar amount to the supplemental compensation of the respective presidents. Trustee Kimbell called for a second on the amendment; a brief discussion followed.

Trustee Norton brought up the fact that there is no guarantee that the foundations would act in a consistent manner if this request went before them which brings up the issue of fairness. Trustee Faigin remarked that the foundation money has created unfairness among the presidents with those who receive foundation money benefiting. He stated that the issue of using tax dollars to supplement private money is what bothered him.

Trustee Fortune raised the point that the motion to amend appeared to have failed for lack of a second by the committee. Trustee Kimbell asked again if there was a second from the committee to amend the item as submitted by Trustee Faigin. With no second, the motion to amend did not pass.

Trustee Norton indicated that it was important to follow through and come up with a comprehensive and rational salary structure so these issues do not arise in the future. Chair Monville responded that he has asked the chancellor and staff to bring this issue at it relates to policy back to the board in January. He anticipates ongoing discussions to address this long term. He urged the committee to support the item as recommended.

Trustee Eisen noted that while the amount of money being discussed was exceedingly small, the principle is the issue. She agreed that all of this be revisited and a comprehensive plan be developed for the future.

Trustee Kimbell asked if there was any further discussion or questions. The item was adopted as submitted. (RUFP 11-14-08)

Trustee Kimbell adjourned the meeting.

## COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

**Executive Compensation: Executive Vice Chancellor for Academic and Student Affairs**

**Presentation By**

Timothy P. White
Chancellor

**Summary**

In anticipation of the appointment by the Board of Trustees, the proposed compensation for Dr. Loren J. Blanchard as executive vice chancellor for academic and student affairs for the California State University will be presented.

**Background**

Dr. Loren J. Blanchard currently holds the post of provost and senior vice president for academic affairs at Xavier University of Louisiana.

He holds a B. S. degree in Speech Pathology Education from Xavier University of Louisiana, a M. Ed. degree in Educational Administration and Supervision from McNeese State University, and a Ph. D. in Educational Psychology from the University of Georgia.

Prior to his appointment at Xavier University, Dr. Blanchard was the associate vice chancellor for academic and multicultural affairs at Louisiana State University Health Sciences Center. He also served as provost and senior vice president for academic affairs at the University of Louisiana System of Colleges and Universities.

**Executive Compensation**

As executive vice chancellor for academic and student affairs, Dr. Blanchard will receive an annual salary of $319,300. He is expected to assume the position of executive vice chancellor for academic and student affairs on or before July 1, 2015. In accord with existing policy, Dr. Blanchard will receive the following benefits:

- An auto allowance of $1,000 per month;
- Standard benefit provisions afforded CSU Executive classification employees;
- A transition program for university executives provided he meets the eligibility requirements passed by the Board of Trustees on November 15, 2006 (RUFP 11-06-06);
- A temporary housing allowance of $5,000 per month for six months; and
- Reimbursement for actual, necessary and reasonable moving and relocation expenses.

In addition, Dr. Blanchard will hold the academic rank of full professor with tenure at California State University, Long Beach, subject to faculty and presidential consultation.

This salary is commensurate with the salary for the other two executive vice chancellors in the California State University.

**Recommended Action**

The following resolution is recommended for adoption:

> **RESOLVED,** by the Board of Trustees of the California State University, that Dr. Loren J. Blanchard shall receive a salary set at the annual rate of $319,300 effective the date of his appointment as executive vice chancellor for academic and student affairs for the California State University; and be it further
>
> **RESOLVED,** Dr. Blanchard shall receive additional benefits as cited in Item 1 of the Committee on University and Faculty Personnel at the January 27-28, 2015 meeting of the Board of Trustees.

# COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

## California State University Chancellor's Evaluation Policy

**Presentation By**

Lou Monville
Chair of the Board of Trustees

**Summary**

The Chancellor is the chief executive officer of the system and is responsible for the day-to-day management of the system. The Board of Trustees has a responsibility to ensure that the Chancellor is performing at the highest level, and that the Chancellor has the support and guidance from the Board necessary to be successful. To this end, it is critical that the Board of Trustees engage in periodic evaluations of the performance of the Chancellor as they do with the presidents.

**Background**

The Board of Trustees governs the California State University by:

1. Developing broad administrative policy for the campuses;
2. Providing broad direction and coordination to campus curricular development;
3. Overseeing the efficient management of funds, property, facilities and investments by the system and the campuses;
4. ***Appointing the Chancellor and Vice Chancellors for the system, and the Presidents for the campuses as chief executives with certain delegated responsibilities; and***
5. Communicating to the people of California an understanding and appreciation of the current effectiveness and the future needs of the California State University.

To date, there has not been a systematic or written process articulated for the evaluation of the Chancellor, nor are there formal criteria determined upon which the evaluation will take place. In Chancellor's White's ongoing efforts to bring transparency and accountability throughout all levels of the system, he and Chair Monville have agreed that a process for regular evaluations of the performance of the Chancellor should be implemented.

Objectives of the performance evaluation process include:

A. To promote accountability and transparency.
B. To promote the success of the Chancellor and the system.
C. To provide a continuing assessment of overall operations and effectiveness of the system, and an assessment of the leadership and management of the Chancellor.

D. To provide the Chancellor with an evolving understanding of his/her role, rights and responsibilities; the plans, goals and expectations mutually agreed to; and the criteria against which progress is to be measured.
E. To provide open and honest conversations between the Chancellor and the Board of Trustees regarding the conditions or state of the system, desirable courses of action, progress, and ideas for improvement or redirection of effort.
F. To provide an overall opportunity for the Board of Trustees and the Chancellor to reassess CSU missions, goals, policies and the resources needed to facilitate and enhance system activities.

**Recommended Policy**

Proposed Process and Timelines

The Chair of the Board recommends that the Chancellor's evaluation process begin, with a level-setting annual conference in March of 2015, and proceed thereafter on a regular schedule. Consideration has been given to future timing of the Chancellor's evaluation and it has been incorporated into the annual calendar of the Board of Trustees events and major decisions. The recommended timing is as follows:

1. January 2015 – approve process, timelines, elements and criteria
2. February 2015 – preparation for evaluation of the Chancellor
    a. February 2015 – self-assessment by Chancellor
    b. February 2015 –information collection and assimilation from Board of Trustees members
3. March 2015 – closed session annual conference with Chancellor (following preparatory work as described in paragraph 2 above)
4. September 2016 – closed session annual conference with Chancellor (following preparatory work as described in paragraph 2 above)
5. September 2017 – closed session three year evaluation process (following preparatory work as described in paragraph 2 above, plus input from campus presidents, vice-chancellors, and other stakeholders)

Review and Approval of Elements and Criteria for the Evaluation of Chancellor

There are no existing formal criteria for evaluation of the Chancellor. However, the Board of Trustees has developed formal criteria for the evaluation of presidents.[1] Given the many similarities for competencies in leadership across the system and the need for consistency and ease of administration, it makes sense initially to develop criteria for the evaluation of the Chancellor that are similar to those used to evaluate system presidents. It is worth noting that the

[1] See Attachment A – Board of Trustees Policies and Procedures for Review of Presidents, adopted January 25-26, 1994, modified November 13-14, 2001.

evaluation criteria for presidents were adopted in 2001 and should also be reviewed, at a later time, to ensure they are sufficient to meet the current needs of the system.

In addition, best practices indicate that the evaluation process should include the following elements:

- a self-assessment related to the major accomplishments of the chancellor
- a review of general criteria that are indicative of success, and
- a formal process of setting goals and/or priorities for future evaluation.

The recommended elements and criteria include:

A. Self-Assessment of Major Accomplishments and Achievements During the Evaluation Period by the Chancellor

The Chancellor will submit to the Board of Trustees, through the Chair of the Board, a brief report summarizing the major accomplishments and achievements during the evaluation period.

B. Evaluation of General Performance Criteria

The Board of Trustees will evaluate general criteria related to the operations and condition of the system as well as the leadership and management effectiveness of the Chancellor which include, but are not limited to: [2]

1. General Administrative Effectiveness Including Management of Human, Fiscal and Physical Resources

Evidence in system operations of effective planning and decision making; development and delegation to system office executive team and to presidents; accomplishment of plans and objectives; flexibility in approach to solving problems and willingness to change programs and methods to keep up with current heeds and developments; commitment to equal employment and programmatic opportunities and wise utilization of staff in the Chancellor's Office; effective relationships with statewide collective bargaining units.

2. Working Relations with the Board of Trustees, Presidents, and System Executives

Evidence in system operations that there are open lines of communications; work is accomplished effectively with and through others; the suggestions of others are solicited and considered in good faith and that the Chancellor and executive team have established

[2] Note: The criteria above are modified from the Policies and Procedures for Review of Presidents, which are provided in Attachment A.

credibility; working effectively with the Chair of the Board, board members and committees of the Board; keeping the Board apprised effectively and consulting appropriately on policy and decision-making.

Evidence that the Chancellor, in serving as the chief executive officer of the system, establishes and implements the mission of the CSU; ensures that the mission of the CSU is understood and advanced by all constituent groups.

3. Educational Leadership and Effectiveness

Evidence across the system of development, maintenance and renewal of academic and student success plans and programs that meet long-range needs; ensures periodic evaluation of educational progress and accomplishments by campuses that support overall student success; creating a systemwide environment that stimulates system, campus and individual success for students; supporting innovation in academic and student support services.

4. Community, Legislative and National Relations

Evidence of effective work with local, regional, state and national community and legislative leaders; representing the CSU on all levels to advance the mission; effective relations with the media; service to and from the community at all levels; local, regional and national reputation; support of the systemwide advancement and outreach efforts.

5. Personal Characteristics

Evidence of the Chancellor's knowledge of the job, judgment, leadership, planning and organizing ability, drive, vision, human relations and communications skills, objectivity and fairness, ability to articulate ideas and concepts, ability to innovate, ability to take into account the public relations and political implications of his/her actions, ability to deal with many different problems and events at the same time, ability to withstand any criticism and to direct opposition into productive channels, ability to get to the key parts of complex problems, evidence of having sufficient facts before making decisions and ability to promote coordination and efficiency of programs and operations.

C. Establishment of Goals and/or Priorities for the Future

The Board of Trustees and the Chancellor will have a conversation and develop a shared understanding regarding goals and/or priorities for the future evaluation period and measures or indicators of success.

**Recommended Action**

The following resolution is recommended for adoption:

**RESOLVED,** by the Board of Trustees of the California State University, that the Chancellor's Annual Conference and Evaluation Process begin in March 2015, and proceed thereafter in the manner as presented in Agenda Item 2 of the Committee on University and Faculty Personnel at the January 27-28, 2015 meeting of the CSU Board of Trustees.

# POLICIES AND PROCEDURES FOR REVIEW OF PRESIDENTS

## I. Coverage:

This document establishes policies and procedures for the review of presidents in the California State University.

## II. Responsibilities:

Decisions regarding appointment, salary, and continuity of presidents are made by the Board of Trustees upon recommendation of the chancellor.

## III. Objectives:

The objectives of the review are to provide the chancellor and the Board of Trustees with an understanding of the unique characteristics of the campus, a continuing assessment of campus operations and educational effectiveness, and an assessment of the leadership and management performances of the executive.

The review provides the presidents with an evolving understanding of their roles, their rights and their responsibilities; the plans, goals and expectations mutually agreed to by the president and the chancellor; and the criteria against which progress is measured. The review is also to provide an opportunity for open and frank discussions between the president and the chancellor of the conditions or state of the campus accomplishments, desirable courses of action, progress, and ideas for improvement or redirection of effort.

The review also provides the chancellor with information upon which to reassess CSU missions, goals, policies and the resources needed to facilitate and enhance campus activities.

## IV. Procedures:

A. Frequency of Review

1. The scheduling of reviews will be determined by the date of assumption of duties.

2. Newly Appointed Presidents:

Newly appointed presidents meet with the chancellor during the first year of service (preferably between the third and ninth month of the executive's incumbency). The president discusses his/her assessment of the state of the campus, goals and objectives and possible plan(s) for their implementation. During this meeting the

president makes an assessment of the needs of the campus and proposes goals and objectives and plans for action; after discussion with the chancellor an agreement is reached on needs and expectations.

One year later, there is a discussion between the president and the chancellor on progress, achievements, any changes in original plans or directions and general performance.

Approximately two years later, the president becomes part of the regular three-year review process.

3. Annual Conference:

Each president has a review conference with the chancellor once a year. These meetings focus on progress toward meeting campus missions and goals, program accomplishments, campus activities, problems and proposed solutions, the state of the campus and supplement the continuing interchanges about campus and system events between the president and the chancellor. The chancellor, following completion of an annual conference, may report results and findings to the Board of Trustees.

4. Triennial Review:

At the outset of the third academic year of the president's tenure, and every three years thereafter, the chancellor will conduct a review based upon the information collected pursuant to B.1. below which will be discussed with the president concerned in the annual conference (A.3. above). The chancellor, following completion of the triennial review, will report results and findings to the Board of Trustees. The chancellor will distribute to the board a summary document which also defines goals and criteria for subsequent reviews.

Depending on the circumstances, the board or the chancellor, with the concurrence of the board, may initiate a brief meeting of the board with the president in conjunction with the review.

5. Six-Year Review

A regular review of the campus and the stewardship of the president, involving an off-campus committee, occurs approximately every six years.

The chancellor, the board, or the president may request accelerated reviews.

B. Background Information and Its Collection

1. Triennial Review:

The triennial review is based on information about activities of the campus collected by the chancellor in whatever manner is deemed appropriate. The president being reviewed presents information about the progress being made and the state of the campus.

The chancellor will request factual information from appropriate sources in the CSU community including, but not limited to, the ongoing leadership of the local academic senate, the student association, the alumni organization and the appropriate community-based advisory group. The chancellor will also request information from other faculty of distinction, alumni or community individuals, campus administrators, and Chancellor's Office personnel. The chancellor may utilize information gained from such sources as everyday working relations with the president, and internal and external reports on programs, operations and achievements.

The chancellor will issue an "open letter' to the affected campus to inform of the routine review, the time frame, the criteria, and the methodology. The letter will also give direction to anyone who is not contacted either randomly or by virtue of office held but feels compelled to participate. Petitions and unsigned letters will continue to be disregarded.

After the Board of Trustees has received and discussed a triennial review, the chancellor will prepare a brief report to the campus community that brings conclusion to the review and informs the campus community of the major findings and the goals for the president and the campus for the next period.

The chancellor and the president have the option to augment the triennial review framework when deemed beneficial for the president, the campus, or both. Aspects of the six-year review methodology or other models may be appropriate.

Confidentiality:

Confidentiality will be preserved in obtaining information and in preparing the report.

2. Six-Year Review:

The six-year review will utilize assessments made by an advisory committee composed of individuals from off-campus. The chancellor, in consultation with the president, will appoint three persons to an advisory committee, two of whom may be from outside the

CSU. The chair of the Board of Trustees will appoint a fourth member from the current membership of the board to the advisory committee.

When assessing a campus, the advisory committee utilizes information obtained from visits to the campus, review of written reports and interviews with members of the campus community, the community at large and appropriate CSU personnel. The advisory committee's assessment is directed toward the review of campus operations and the president's stewardship. The review shall be in the same academic year as the WASC review, whenever possible.

Questionnaires:

Questionnaires or other survey instruments will not be used.

Report of the Advisory Committee:

The advisory committee makes a confidential written report of its findings to the chancellor. Prior to submitting its final report to the chancellor, the committee furnishes a draft copy of its findings to the president of the campus being reviewed, and affords an opportunity for the president to make a written response and to discuss the findings with the committee. Upon receipt of the committee's final report, the chancellor furnishes a copy of the final report to the president and affords the president an opportunity to make a written response. The chancellor discusses the committee's findings and the response with the president.

Following completion of a six-year review of a campus, the president of that campus will be invited to meet with the Board of Trustees in closed session.

Confidentiality:

Confidentiality will be preserved in obtaining information, in implementation of the procedures, and in the reporting procedure.

## V. CRITERIA FOR PRESIDENTIAL ASSESSMENT

General criteria for consideration of both the operations and condition of the campus as well as the leadership and management effectiveness of the president include, but are not limited to, such factors as the following:

1. **General Administrative Effectiveness Including Management of Human, Fiscal and Physical Resources:**

Evidence in campus operations of effective planning and decision making; development of and delegation to a management team; accomplishment of plans and objectives; flexibility in approach to solving problems and willingness to change programs and methods to keep up with current needs and developments; commitment to equal employment and programmatic opportunities and wise utilization of faculty and staff.

**2. Working Relations with the System and the Campus:**

Evidence in campus operations that there are open lines of communications; work is accomplished effectively with and through others; the suggestions of others are solicited and considered in good faith and that the executive and the management team have established credibility.

Evidence that the president, in serving as executive officer of the campus, maintains a perspective of the mission of the CSU and cognizance of the special demands placed on the system; participates productively in deliberations in systemwide academic and administrative matters.

**3. Educational Leadership and Effectiveness:**

Evidence in campus operations of development, maintenance and renewal of academic plans and programs that meet long-range needs; periodic evaluation of educational progress and accomplishments; the establishment of an environment that stimulates teaching, learning, scholarship, professional development and the pursuit of support to enhance academic programs and innovation.

**4. Community Relations:**

Evidence in campus operations of community understanding of and support for the campus; good relations with the media; service to and from the community, alumni support, effective "Town and Gown" activities; local, regional and national reputation; and an effective institutional advancement program, including fundraising.

**5. Major Achievements of the Campus and the President.**

**6. Personal Characteristics:**

Evidence in campus operations of the president's knowledge of the job, judgment, leadership, planning and organizing ability, drive, vision, human relations and communications skills, objectivity and fairness, ability to articulate ideas and concepts, ability to innovate, ability to take into account the public relations and political implications of his/her actions, ability to deal with

many different problems and events at the same time, ability to withstand any criticism and to direct opposition into productive channels, ability to get to the key parts of complex problems, evidence of having facts before making decisions and ability to promote coordination and efficiency of programs and operations.

Adopted January 25-26, 1994
Modified November 13-14, 2001
Board of Trustees CSU

## COMMITTEE ON UNIVERSITY AND FACULTY PERSONNEL

**Executive Compensation: Individual Transition Program**

**Presentation By**

Lori Lamb
Vice Chancellor for Human Resources

**Summary**

Information will be provided on the transition of Dr. J. Michael Ortiz from his position as president of California State Polytechnic University, Pomona.

**Background**

At the November 14-15, 2006 meeting of the California State University (CSU) Board of Trustees a resolution (RUFP 11-06-06) was adopted requiring the chancellor to report on new individual transition programs in an open meeting of the Committee on University and Faculty Personnel.

Trustee policy provides for an executive transition program for individuals appointed into an executive position between November 18, 1992 and November 14, 2006 (RUFP 11-92-04). Under the provisions of the program, the executive is entitled to a paid transitional period of one year.

**Information**

On December 31, 2014, Dr. J. Michael Ortiz retired from the position of president of California State Polytechnic University, Pomona. His transition assignment to which he is entitled under the executive transition program is effective January 1, 2015 through December 31, 2015.

During his transition assignment he will be reassigned into the Management Personnel Plan (MPP – Administrator IV) and is eligible for standard benefits applicable to MPP employees. Dr. Ortiz will have a salary set at the annual rate of $226,987. His auto allowance and housing arrangement as president were discontinued effective December 31, 2014. Duties during his transition assignment include:

- To continue representing the CSU on the Hispanic Association of Colleges and Universities (HACU) Board through the end of his HACU term (November 2015).

- To be available at the request of the new president of Cal Poly Pomona for advice and counsel on issues pertaining to the university.
- To assist CSU San Bernardino at the request of the president with enrollment, academic and philanthropic matters.
- To be available to the chancellor and other system vice chancellors for advice and counsel on matters pertaining to the California State University.

# AGENDA

## COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

**Meeting:** **8:30 a.m., Wednesday, January 28, 2015**
**Glenn S. Dumke Auditorium**

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 November 12-13, 2014

**Discussion Items**

1. Amend the 2014-2015 Non-State Funded Capital Outlay Program for California State University Channel Islands and California Polytechnic State University, San Luis Obispo, *Action*
2. Certify the Final Environmental Impact Report and Approve the Campus Master Plan Revision, the Amendment of the 2014-2015 Non-State Capital Outlay Program and Schematic Plans for the Parking Structure II for California State Polytechnic University, Pomona, *Action*
3. Approval of Amendment of the 2014-2015 Non-State Capital Outlay Program and Schematic Plans for University Office Park, Phase I for California State University, Bakersfield, *Action*
4. Acceptance of Interest in Real Property at California State University, San Bernardino Palm Desert Off-Campus Center, *Information*
5. California State University Channel Islands' CI 2025 Strategy, *Information*

**MINUTES OF MEETING OF**
**COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS**

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

**November 12-13, 2014**

## Members Present

J. Lawrence Norton, Chair
Rebecca D. Eisen, Vice Chair
Talar Alexanian
Adam Day
Lillian Kimbell
Lou Monville, Chair of the Board
Steven G. Stepanek
Timothy P. White, Chancellor

## Approval of Minutes

The minutes for the September 2014 meeting were approved as submitted.

Trustee Norton introduced four public speakers addressing Item 2 on the committee's agenda, and specifically the request to approve schematic plans for the Student Housing South project at California Polytechnic State University, San Luis Obispo.

Joi Sullivan, Associated Student, Inc. President, Cal Poly San Luis Obispo, is currently a graduate student having completed her bachelor's degree in political science this past spring. Ms. Sullivan stated that on-campus housing is crucial for academic success and complete integration into the Cal Poly community. Ms. Sullivan supports the Student South Housing project, attributing her successes in and after college to the proximity of her dorm to the core of campus which encouraged her to get involved in many aspects of campus life including student government.

Mike Manchak, President and CEO of the Economic Vitality Corporation, stated that Cal Poly San Luis Obispo is viewed as a vital partner in the community and county. The Student Housing South project adeptly addresses two directly related concerns for the county: the need for more on-campus student housing and making more workforce housing available as the project will free up neighborhood housing for local workers.

Jake Rogers, Associated Student, Inc. Chief of Staff and a fourth-year agricultural business major at Cal Poly San Luis Obispo, spoke in support of the Student Housing South project. He stated that the housing project would facilitate student success by maximizing opportunities for

social, cultural, extracurricular and academic immersion. He also noted that the project would increase the availability of housing in the community which would in turn strengthen the local economy.

Bob Stevens, Vice Chair of the Parent Advisory Council, Cal Poly San Luis Obispo, is the father of two students currently attending the campus and is an alumnus of the campus himself. Mr. Stevens believes that living on campus for the first two years reinforces and promotes the values, practices, discipline and sense of community necessary to be successful at the university and in life after graduation. Mr. Stevens also commented positively on the design of the housing complex with its reduced building height and location of parking away from private properties mitigating intrusiveness to the residential neighborhood.

**Amend the 2014-2015 Non-State Funded Capital Outlay Program for California State University Channel Islands, California State University, Northridge, and California State Polytechnic University, Pomona**

Assistant Vice Chancellor Elvyra F. San Juan presented agenda item 1 which proposes to amend the 2014-2015 non-state funded capital outlay program with three projects: Student Housing Phase III, at California State University Channel Islands, Sustainability Center, at California State University, Northridge and Innovation Village, Phase V, at California State Polytechnic University, Pomona. Staff recommended approval.

The committee recommended approval of the proposed resolution (RCPBG 11-14-15).

**Approval of Schematic Plans for California State University Channel Islands, California State Polytechnic University, Pomona and California Polytechnic State University, San Luis Obispo**

Presidents Rush, Ortiz and Armstrong, respectively, along with Ms. San Juan presented the item for approval of schematic plans for California State University Channel Islands—Student Housing, Phase III, California State Polytechnic University, Pomona—Innovation Village, Phase V and California Polytechnic State University, San Luis Obispo—Student Housing South.

President Rush remarked that California State University Channel Islands is the fastest growing campus in the CSU. Enrollment has increased 16 percent from 4,472 FTE last year to 5,200 FTE this year. The campus' vision calls for on-campus student housing to provide capacity to serve 25 to 35 percent of the students. The higher percentage reflects the lack of available student housing near the campus.

President Ortiz introduced the fifth phase of Innovation Village, a 65-acre public-private partnership that supports the academic mission of Cal Poly Pomona. The development includes partnerships with business incubators in the Center for Training, Technology and Incubation, two buildings that provide office space for Southern California Edison's transmission and distribution unit, and the development's first tenant, the American Red Cross Southern California

headquarters and blood processing center. The university and the companies jointly benefit from the infusion of fresh perspectives, collaboration among faculty scholars and working professionals, and employment of students and graduates. Innovation Village is creating high paying jobs in Los Angeles County and contributes to the region's economic development.

President Armstrong stated that the proposed Student Housing South project is directly related to student success, providing statistics that support significantly increased persistence rates at the junior year for students who live on campus their first two years. The rates are even more pronounced for first generation students and students from low-income families. The project will result in approximately 1,100 second-year students moving from neighborhoods in San Luis Obispo to campus housing freed up by locating freshmen into the new housing. This expanded on-campus housing translates into approximately 120 additional graduates per year based upon the aforementioned data.

Ms. San Juan reported that the board certified the final environmental impact report for Student Housing South in May 2014. A local neighborhood association filed a lawsuit challenging the board's approval and that matter is now pending.

CEQA requirements have been completed for all three projects and staff recommended approval.

The committee recommended approval of the proposed resolution (RCPBG 11-14-16).

**Approval of the 2015-2016 Capital Outlay Program and the 2015-2016 through 2019-2020 Five-Year Capital Improvement Program**

Trustee Norton introduced the item and noted that it had been revised in the resolution section.

Ms. San Juan presented the state and non-state funded five-year capital improvement program 2015-2016 through 2019-2020 to the board for approval that included the 2014 action year request. Ms. San Juan provided background on program funding for the CSU's capital outlay program and a summary of what is included in the five-year capital improvement program which includes the action year priority lists for state and non-state funded capital programs. Ms. San Juan also highlighted alternative financing options for the capital program currently under discussion.

A key focus this year was to assess the reliability of the CSU's utility infrastructure. As a result of the repeated electrical failures at California State University, Fresno and concern by the board of the system's susceptibility to campus shutdowns, engineering firms were hired to prepare utility master plans and critical infrastructure assessments. The engineers were tasked to identify infrastructure problems and prioritize the campus deficiencies: the top priority was given to utility failures that could cause a campuswide shutdown; the second priority was failures that could cause a partial campus shutdown; and the third priority was failures that could cause the shutdown of a critical building. The total cost for critical repairs is estimated at just under $700 million.

Most of the priority projects are to replace infrastructure that has passed its useful life. It was also found that the utility systems did not always keep up with the growth of the university and that inadequate resources for maintenance were increasing the risk of failure of older systems. Thus the studies are confirming the need to reinvest in the existing infrastructure in order avert campuswide failures, particularly in the electrical distribution systems and central heating and cooling systems.

The five-year capital improvement plan identifies $6.6 billion to support the academic program. Of that amount, $1.1 billion has been identified as critical deficiencies and $3.5 billion to renovate and modernize existing buildings. The amount sought to accommodate enrollment growth is $1.9 billion. For the self-support capital program, the five-year plan totals $3.9 billion, predominantly for student housing, student unions and recreation centers, followed by parking.

In summary, the state funded program request for the 2015-2016 capital program is $403.9 million; the non-state funded program request is $3.4 million. The state and non-state funded five-year capital improvement program request for 2015-2016 through 2019-2020 is $6.6 billion and $3.9 billion, respectively.

Ms. San Juan also addressed the new CSU capital financing authority noting that flexibility has been built into the priority lists in order to best leverage funding availability, realizing that this is the first capital program approved by the board under the new authority.

Trustee Norton noted that the revised resolution language inserted in the item was made in light of the new capital financing authority to provide for additional oversight and review to ensure that the CSU moves cautiously as it proceeds.

Trustee Glazer asked how the campus operating cost savings as a result of utility infrastructure improvement projects are reconciled from an accounting standpoint given that the project was funded at the system level. Ms. San Juan responded that operational savings are retained at the campus. Many campuses have programs that allow the reinvestment of those savings further into energy efficiency projects.

Trustee Fortune inquired how the action for this item impacts the new capital financing authority either in process or strategy. Ms. San Juan explained that the motion for this item is an approval of how capital dollars would be used if the CSU had the funds (prioritization). A separate item on the agenda of the Joint Meeting of the Committees on Finance and Campus Planning, Buildings and Grounds has the action for the financing policy. Lastly, a separate item on actual long-term debt issuance to fund approved projects would come before the board for approval no earlier than January 2015.

Trustee Glazer asked how or where bottlenecks would be prioritized in the context of the noted priority lists. Ms. San Juan stated that projects increasing capacity would address bottlenecks from the perspective of responding to course limitations.

Trustee Glazer expressed concern of the impact of the new capital financing authority on responsibly vetting the five-year capital improvement program, previously charged to the Department of Finance and the legislature.

Chair Monville stated that the capital program as presented is driven by the academic master plans on individual campuses. These projects support the academic mission be it bottleneck or a growing program. Chair Monville invited the presidents to comment on the process followed at their campus to determine capital program needs.

President Armstrong stated that Cal Poly San Luis Obispo is currently undergoing an intensive process (two and one half years) evaluating academic planning which in turn will drive the master plan. There are many committees comprised of faculty, staff and the public examining the academic master plan with a focus on student success as the primary driver. It has been 13 years since Cal Poly San Luis Obispo performed such a review.

President Qayoumi added that in the last year and a half San José State completed an audit of every campus facility. This study provided some important information: 1) the renovation cost of a number of facilities is over 70 percent of the cost of [a new] the building; historically, the CSU has used 65 percent to be the threshold of whether a building should be renovated or replaced; 2) buildings were examined from the perspective of bringing them up to current building code, especially with regards to the environment and the needs of the master plan. The campus uses all this information together – facilities condition, the physical master plan and the academic plan – to develop its priorities for the capital program.

President Wong presented a current situation at San Francisco State wherein the science building cannot be occupied. He noted that the chemistry program, one of the campus' largest and most prestigious programs, will be in portables for up to five years resulting in bottleneck problems in multiple majors, such as pre-med, science, chemistry and microbiology. This is a clear example of a building problem causing a layered bottleneck.

Trustee Glazer noted that San Francisco State's first priority shows a Creative Arts Replacement Building, not a science building. Ms. San Juan clarified that the science lab replacement project appeared on the 2014-2015 priority list presented at the September 2014 board meeting. The campus is reviewing prioritization but, due to the limitation of capital funds, those projects prioritized above the $300 million mark on the priority list will not be funded in 2015. The campus has infrastructure problems that mostly likely will be addressed in 2015-2016 based on the anticipated funding.

Trustee Glazer, reflecting on the presidents' comments, stated the importance of having a long-term comprehensive perspective on the demand for capital improvement in order to make good fiscal choices from the beginning, noting that the $10 million financing for $130 million is a very small part of the whole issue.

President Mitchell responded that the last campus master plan completed for CSU Bakersfield was in 2007. It was developed in accordance with the academic master plan and other student-focused facility needs. The campus' highest priority for capital improvement is the replacement of Faculty Towers, a 40-year facility that does not meet seismic or ADA codes. With the new financing authority, the campus has the flexibility to contribute funding for this extremely important project which would thus lower the cost to the system and hopefully raise its priority for funding.

President Ochoa remarked that the master plan guides the campus' progress, providing general direction and a basis for requesting additional buildings, which begins with the analysis of student demand for a program and establishing the level of current capacity. Campus capacity and student enrollment are primary drivers for requesting additional space. President Ochoa stated that the Chancellor's Office performs a rigorous review of a project, well documenting the need for the new space before it is included on the priority list. CSU Monterey has just initiated the process for developing new master plan.

President Morales remarked that every campus in the system has a critical maintenance issue or a serious building problem. CSU San Bernardino has 'out grown' its campus and the master plan is 13 years-old. The campus is in the early stages of engaging a consultant to work on a new master plan for both the San Bernardino and Palm Desert campuses.

President Zingg noted three factors influencing the capital planning process that affect all the campuses: 1) academic pedagogy in terms of designing space that supports high impact learning practices; 2) consideration of sustainability principles and the extent to which they guide the built environment and how it connects to the natural environment; and 3) the cost of ADA compliance, which in many cases is less expensive to build replacement versus retrofit older buildings to meet ADA requirements.

President Covino stated that CSU Los Angeles is reviewing academic planning, student success and facilities condition to develop its capital program request. Nine buildings built in 1959 have been identified to be in serious need of replacement or renovation, including a seismically unsound physical sciences building which at one time contained all the physical science programs that have since been relocated. The nine-story facility he occupies is deemed a seismically unsound building and is in need of a retrofit. Aging campuses and buildings are a real threat to the university's capacity and ability to sustain the academic program and serve students in a safe environment.

The committee recommended approval of the proposed resolution (RCPBG 11-14-17).
Trustee Norton adjourned the meeting.

## COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

**Amend the 2014-2015 Non-State Funded Capital Outlay Program for California State University Channel Islands and California Polytechnic State University, San Luis Obispo**

**Presentation By**

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

**Summary**

The California State University Board of Trustees approved the 2014-2015 non-state funded capital outlay program at its November 2013 meeting. However, it is not always possible for campuses to complete the necessary requirements in time to include them in the capital outlay program. This item allows the board to consider the scope and budget of projects not included in the previously approved non-state funded capital outlay program.

**1. California State University Channel Islands**
**Dining Renovation** **PWCE[1]** **$11,706,000**

California State University Channel Islands wishes to proceed with the design and construction of the Dining Renovation project which includes the remodel of approximately 19,500 gross square feet (GSF) of the existing campus dining commons facility adjacent to the Island's Café (#28)[2] and construction of a new entry pavilion of approximately 1,760 GSF. The project scope includes renovating the existing Salon A dining hall to provide additional dining space, remodeling the kitchen preparation and servery space, and expanding the loading dock for deliveries. Infrastructure improvements incorporated in the project include new electrical switchgear and sanitary sewer expansion. The renovated facility will accommodate increased demand from the campus population including the new 600-bed Student Housing, Phase III project to be completed in July 2016.

The project cost will be financed from the CSU Systemwide Revenue Bond program. The bonds will be repaid from food service revenues.

[1] Project phases: P – Preliminary Plans, W – Working Drawings, C – Construction, E – Equipment
[2] Facility number shown on master plan map and recorded in Space and Facilities Database

**2. California Polytechnic State University, San Luis Obispo**
**Yosemite Hall Fire Sprinkler System** **PWC** **$5,603,000**

California Polytechnic State University, San Luis Obispo wishes to retrofit the existing Yosemite Hall (#114) dormitory with fire sprinklers in order to maintain triple occupancy rooms. Yosemite Hall was completed in 1970 with double occupancy rooms, when the building code did not require fire sprinklers. However, the increase to triple occupancy rooms now requires that fire sprinklers be installed to be in compliance with the State Fire Marshal. There are ten towers comprising Yosemite Hall; the project will be completed during summer of 2015 and summer of 2016 when the buildings are not occupied by the students.

The project will be funded from housing reserve funds.

**Recommendation**

The following resolution is presented for approval:

> **RESOLVED,** by the Board of Trustees of the California State University, that the 2014-2015 non-state funded capital outlay program is amended to include: 1) $11,706,000 for preliminary plans, working drawings, construction and equipment for the California State University Channel Islands Dining Renovation; and 2) $5,603,000 for preliminary plans, working drawings and construction for the California Polytechnic State University, San Luis Obispo Yosemite Hall Fire Sprinkler System.

## COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

**Certify the Final Environmental Impact Report and Approve the Campus Master Plan Revision, the Amendment of the 2014-2015 Non-State Capital Outlay Program and Schematic Plans for the Parking Structure II for California State Polytechnic University, Pomona**

**Presentation By**

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

**Summary**

The California State University Board of Trustees requires that every campus have a long range physical master plan, showing existing and anticipated facilities necessary to accommodate a specified academic year full-time equivalent student enrollment. Each master plan reflects the physical requirements of academic program and auxiliary activities on the campus. By board policy, significant changes to the master plan and approval of a project's schematic design require board approval, while authority for minor master plan revisions or schematic designs for projects that are not architecturally significant, are utilitarian in nature, or have a cost of $3,000,000 (or less) are delegated to the chancellor (or his designee).

This agenda item requests the following actions by the Board of Trustees with regard to the Parking Structure II for California State Polytechnic University, Pomona:

- Certify the final environmental impact report dated November 2014
- Approve the proposed campus master plan revision dated January 2015
- Approve the amendment of the 2014-2015 Non-state Capital Outlay program
- Approve the schematic plans

Attachment "A" is the proposed campus master plan. Attachment "B" is the existing campus master plan approved by the trustees in July 2000.

**Master Plan Revision**

The Board of Trustees last approved the campus master plan in July 2000 and sited the proposed Parking Structure II on the southeastern edge of the campus on South Campus Drive. This proposed master plan revision relocates the Parking Structure II to a nearby site at the corner of Collins Way and University Drive on what is presently parking lots K-1 and K-2.

The proposed site permits the construction of a less imposing structure at the gateway of the campus. In addition, the location maintains the master plan vision to locate parking on the campus perimeter roadway to provide convenient and safe access to the university.

The proposed master plan change is noted on Attachment A:

*Hexagon 1:* Parking Structure II (#107)

**Amendment of the 2014-2015 Non-state Funded Capital Outlay Program**

California State Polytechnic University, Pomona wishes to amend the 2014-2015 non-state capital outlay program to include $40,997,000 for the design and construction of Parking Structure II (#107), an 1,825-space facility located on the existing parking lots K-1 and K-2, in the southern area of campus. The approximately 587,000 gross square feet (GSF) facility will be adjacent to the existing International Polytechnic High School (#85) and the physical education fields. The structure will replace 625 surface parking spaces in lots K-1 and K-2, resulting in a net increase of 1,200 spaces.

**Parking Structure II Schematic Design**
*Project Architect: Steinberg Architects*
*Design/Build Contractor: Bomel Construction Company, Inc.*

**Description**

The proposed project design includes one level of parking underground, one level at grade across the entire site, and a partial level of parking above ground. The structure amenities will include a pedestrian walkway with a landscape buffer on both sides, as well as a shuttle/bus stop. Parking Structure II is designed to have a low profile, allowing for visual connections with the campus core from the southern end of campus.

Sustainability features include the reduction of the existing stormwater flow rate, low-emitting materials, natural ventilation in place of a mechanical system, site plumbing to use recycled water for all landscape irrigation, occupancy sensors and dimming daylighting controls, and LED lighting. The building is being designed to support the future installation of photovoltaic panels over the top deck.

**Timing (Estimated)**

| | |
|---|---|
| Preliminary Plans Completed | January 2015 |
| Working Drawings Completed | April 2015 |
| Construction Start | May 2015 |
| Occupancy | August 2016 |

**Basic Statistics**

| | |
|---|---|
| Gross Building Area (GSF) | 586,635 square feet |
| Assignable Building Area (ASF) | 565,725 square feet |
| Efficiency (ASF/GSF) | 96 percent |
| Parking Spaces | 1,825 spaces |

**Cost Estimate – California Construction Cost Index (CCCI) 6151**[1]

| | | |
|---|---|---|
| Building Cost ($16,024 per space) | | $29,244,000 |
| *Systems Breakdown* | *($ per GSF)* | |
| a. Substructure (Foundation) | $ 10.08 | |
| b. Shell (Structure and Enclosure) | $ 22.90 | |
| c. Interiors (Partitions and Finishes) | $ 2.92 | |
| d. Services (HVAC, Plumbing, Electrical, Fire) | $ 10.34 | |
| e. General Conditions and Insurance | $ 3.61 | |
| Site Development | | 4,042,000 |
| Construction Cost | | $ 33,286,000 |
| Fees, Contingency, Services | | 7,711,000 |
| Grand Total ($22,464 per space) | | $40,997,000 |

**Cost Comparison**

The project's building cost of $16,024 per space is less than the $19,939 per space for the Parking Structure 2 for California State University, Chico, approved in May 2011, and the

[1] The July 2014 *Engineering News-Record* California Construction Cost Index (CCCI). The CCCI is the average Building Cost Index for Los Angeles and San Francisco and is updated monthly.

$18,145 per space for the Parking Structure I, Phase 2A for California State University San Marcos, approved in July 2008, both adjusted to CCCI 6151.

This project's below grade design drives a higher substructure cost per square foot; however, with the number of spaces in the proposed project (1825 space) being much higher than Chico's Parking Structure 2 of 359 spaces, this helps to reduce the overall cost per space in the comparison. The low-profile stature also allows for a reduced shell cost when compared to the structures constructed at CSU Chico and CSU San Marcos.

**Funding Data**

This project will be funded from the CSU Systemwide Revenue Bond Program, presented during the January 2015 Committee on Finance meeting, and parking program reserves of $6 million. The bond financing will be repaid from parking fee revenue.

**California Environmental Quality Act (CEQA) Action**

To determine the scope of environmental topics to be addressed in a Draft Environmental Impact Report (Draft EIR) for the Parking Structure II project, a Notice of Preparation/Initial Study (NOP/IS) was distributed on May 7, 2014, for a 30-day review period. The Draft EIR for the project was subsequently prepared and made available to the public for review and comment for a 45-day period, from September 15, 2014, to October 29, 2014. A public meeting was held on October 15, 2014, to obtain public comments. No comments, other than the acknowledgement of compliance with the State Clearinghouse review requirements for the Draft EIR, were received.

The Final Environmental Impact Report (FEIR) has been prepared and is presented to the trustees' for review and certification. The final documents, including the Mitigation Monitoring Program, are available online at: http://www.csupomona.edu/~fpm/public/EIRParkingStructure2.pdf. The FEIR found the project will not result in any unavoidable significant environmental impacts with the implementation of mitigation measures to reduce traffic impacts at two intersections, and measures to reduce the short-term effects of construction noise, dust, emissions, and trips.

**Recommendation**

The following resolution is presented for approval:

**RESOLVED**, by the Board of Trustees of the California State University, that:

1. The board hereby certifies the Final EIR for the California State Polytechnic University, Pomona Parking Structure II project dated November 2014 as complete and in compliance with CEQA.

2. The mitigation measures identified in the Mitigation Monitoring Program are hereby adopted and shall be monitored and reported in accordance with the Mitigation Monitoring Program for the Agenda Item 2 of the January 27-28, 2015, meeting of the Board of Trustees' Committee on Campus Planning Buildings and Grounds, which meets the requirements of CEQA (Public Resources Code, Section 21081.6).

3. The above information is on file with The California State University, Office of the Chancellor, Capital Planning, Design and Construction, 401 Golden Shore, Long Beach, California 90802-4210, and at California State Polytechnic University, Pomona Facilities Planning and Management, 3801 West Temple Avenue, Pomona, California 91768.

4. The California State Polytechnic University, Pomona Campus Master Plan Revision dated January 2015 is approved.

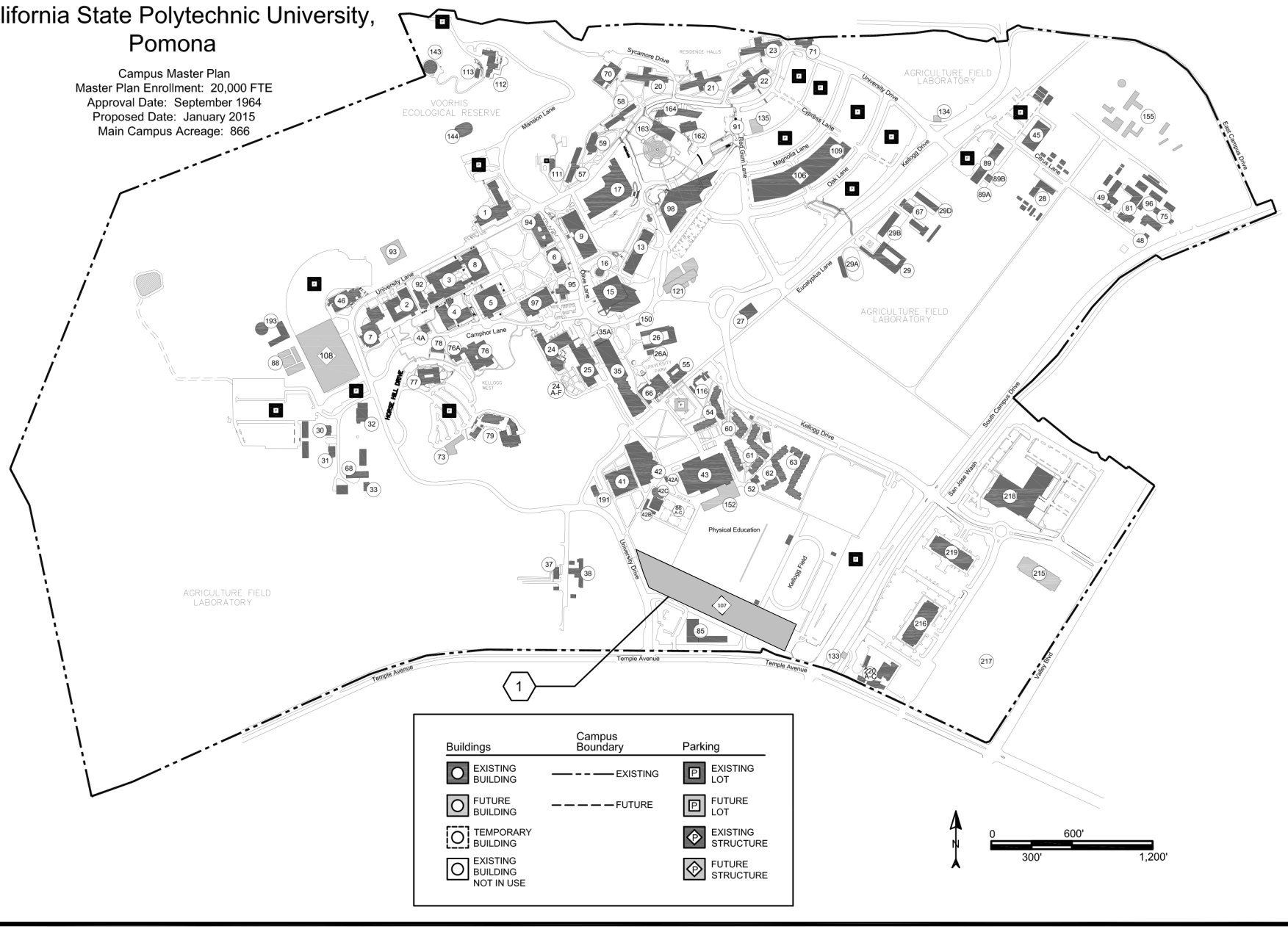
5. The chancellor is requested under Delegation of Authority granted by the Board of Trustees to file the Notice of Determination for the project.

6. The 2014-2015 non-state funded capital outlay program is amended to include $40,997,000 for preliminary plans, working drawings, and construction for the California State Polytechnic University, Pomona Parking Structure II project.

7. The schematic plans for the California State Polytechnic University, Pomona, Parking Structure II are approved at a project cost of $40,997,000 at CCCI 6151.

# California State Polytechnic University, Pomona

Campus Master Plan
Master Plan Enrollment: 20,000 FTE
Approval Date: September 1964
Proposed Date: January 2015
Main Campus Acreage: 866



# California State Polytechnic University, Pomona

**Proposed Master Plan**

**Master Plan Enrollment: 20,000 FTE**

Master Plan approved by the Board of Trustees: September 1964

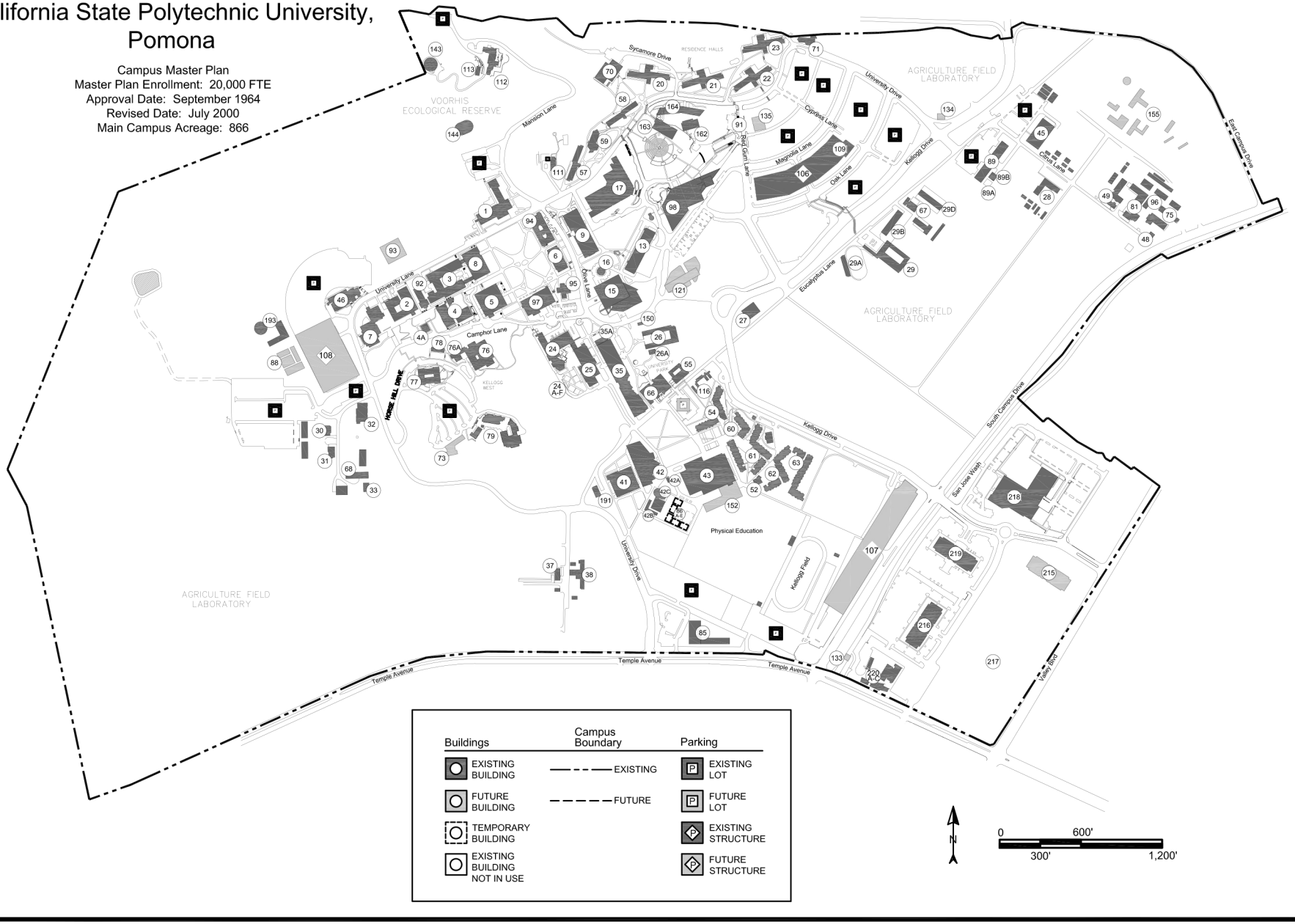
1. Administration
2. Agriculture Classrooms
3. Science
4. Biotechnology
4A. Biotrek Learning Center
5. Letters, Arts and Social Science
6. Business Administration
7. Environmental Design
8. Science
9. Engineering
13. Art/Engineering Annex
13B-D. Learning Resource Center
15. Library
16. Library Mechanical Equipment
17. Engineering Labs
20. Encinitas Hall
21. Montecito Hall
22. Alamitos Hall
23. Aliso Hall
24. Music
24A-F. Modular Surge Space
25. Drama/Theater
26. University Plaza
26A. Student Orientation Center
27. Water Filtration Plant
28. Fruit and Crop/Greenhouse
29. Arabian Horse Center
29A. Horse Arena
29B. Weaning Barn
29C. Paddocks
29D. Horse Barn
30. Agriculture Unit
31. Poultry Unit
32. Beef Unit
33. Feed Mill Unit
35. Bronco Student Center
35A. Kellogg Art Gallery
37. Swine Unit
38. Sheep Unit
41. Darlene May Gymnasium
42. Bronco Recreation and Intramural Complex
42A. Restroom Building
42B. Pool Support Building
42C. Pool Building
43. Kellogg Gymnasium
45. Agriculture Engineering
46. Health Service
48. Custodial Services
49. Beaver House
52. Commons Building
54. Vista de Las Estrellas
55. Kellogg Foundation Services
57. Palmitas Hall
58. Cedritos Hall
59. La Cienega Center
60. Vista Bonita
61. Vista Del Sol
62. Vista de Las Montanas
63. Vista de La Luna, Phase II
66. Bronco Bookstore
67. Equine Research Facility
68. Hay Barn
70. Los Olivos Commons
71. Housing Maintenance Building
73. *Collins College Faculty Offices and Classrooms*
75. Purchasing and Receiving
76. Kellogg West
76A. Kellogg West Addition
77. Kellogg West Main Lodge
78. Kellogg West Lodge Addition
79. The Collins College of Hospitality and Management
81. Physical Plant Office
85. I-Poly High School
86. English Language Institute
86A-C. Temporary Classrooms/ Faculty Offices II
88. *Facilities Management and Corporation Yard*
89. Interim Design Center
89A. Interim Design Center Addition
89B. Interim Design Center Faculty Offices
91. Temporary Administration Offices
92. Laboratory Care Facility
93. *Environmental Design Center*
94. University Office Building
95. Multi-Culture Center
96. Paint Shop
97. Campus Center
98. Classroom/Lab/Administration Building
106. Parking Structure 1
107. *Parking Structure 2*
108. *Parking Structure 3*
109. Public Safety and Parking Services
111. Manor House
112. University House
113. Kellogg Guest House
116. Child Care Center
118. Hazardous Waste Material Storage
121. *Administration Replacement Building*
127. *Academic Building*
133. *Visitor Information*
134. *Visitor Information*
143. Upper Reservoir
144. Lower Reservoir
150. MASA Building
152. *Physical Education Expansion*
155. *Center for Animal Veterinary Science Education*
162. College of Business Administration (B)
163. College of Business Administration (C)
164. College of Business Administration (A)
191. Electrical Substation
193. Central Plant-Chiller
200. University Village
208. Center for Regenerative Studies, Phase II
209. John T. Lyle Center for Regenerative Studies
210. Landlab Information Center
211. Agriscapes
211A-H. Agriscapes Greenhouse
212. *Resources Evaluation and Research Center*
216. Innovation Village, Phase IV
217. Innovation Village Infrastructure
218. American Red Cross Headquarters
219. Innovation Village, Phase III Office/Research Facility
220A-C. Center for Technology, Training and Incubation

LEGEND:
Existing Facility / *Proposed Facility*

NOTE: Existing building numbers correspond with building numbers in the Space and Facilities Data Base (SFDB)

# California State Polytechnic University, Pomona

Campus Master Plan
Master Plan Enrollment: 20,000 FTE
Approval Date: September 1964
Revised Date: July 2000
Main Campus Acreage: 866



# California State Polytechnic University, Pomona

**Master Plan Enrollment: 20,000 FTE**

Master Plan approved by the Board of Trustees: September 1964

1. Administration
2. Agriculture Classrooms
3. Science
4. Biotechnology
4A. Biotrek Learning Center
5. Letters, Arts and Social Science
6. Business Administration
7. Environmental Design
8. Science
9. Engineering
13. Art/Engineering Annex
13B-D. Learning Resource Center
15. Library
16. Library Mechanical Equipment
17. Engineering Labs
20. Encinitas Hall
21. Montecito Hall
22. Alamitos Hall
23. Aliso Hall
24. Music
24A-F. Modular Surge Space
25. Drama/Theater
26. University Plaza
26A. Student Orientation Center
27. Water Filtration Plant
28. Fruit and Crop/Greenhouse
29. Arabian Horse Center
29A. Horse Arena
29B. Weaning Barn
29C. Paddocks
29D. Horse Barn
30. Agriculture Unit
31. Poultry Unit
32. Beef Unit
33. Feed Mill Unit
35. Bronco Student Center
35A. Kellogg Art Gallery
37. Swine Unit
38. Sheep Unit
41. Darlene May Gymnasium
42. Bronco Recreation and Intramural Complex
42A. Restroom Building
42B. Pool Support Building
42C. Pool Building
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45. Agriculture Engineering
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77. Kellogg West Main Lodge
78. Kellogg West Lodge Addition
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81. Physical Plant Office
85. I-Poly High School
86. English Language Institute
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217. Innovation Village Infrastructure
218. American Red Cross Headquarters
219. Innovation Village, Phase III Office/Research Facility
220A-C. Center for Technology, Training and Incubation

LEGEND:
Existing Facility / *Proposed Facility*

NOTE: Existing building numbers correspond with building numbers in the Space and Facilities Data Base (SFDB)

## COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

**Approval of Amendment of the 2014-2015 Non-State Capital Outlay Program and Schematic Plans for University Office Park, Phase I for California State University, Bakersfield**

**Presentation By**

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

**Background**

The California State University Board of Trustees approved the concept of a real property public-private development in November 2006 to construct a commercial office building on the CSU Bakersfield campus (RFIN 11-06-12). The office use was incorporated into the campus Master Plan at the September 2007 Board of Trustees meeting, and revised in September 2014 to account for the changes in the specific office building configuration.

The board will consider the approval of the development agreement with Gregory D. Bynum and Associates ("Developer") at this meeting. As the board approved the 2014-2015 non-state funded capital outlay program at its November 2013 meeting, it was not possible to complete the necessary requirements to include this project in the annual five-year capital improvement program. This item allows the board to consider the scope and budget of the project to amend the 2014-2015 non-state capital outlay program and approve the schematic plans for the California State University, Bakersfield, University Office Park, Phase I project should the board agree with the provisions of the development agreement.

**Amend the 2014-2015 Non-state Funded Capital Outlay Program**

CSU Bakersfield wishes to amend the 2014-2015 non-state capital outlay program to include $10,400,000 for the design and construction of University Office Park, Phase I, a 61,300 gross square foot (GSF) office facility (#70) on 4.3 acres as the first phase of a commercial office park development. The public-private office park will be developed in two phases on a 12.5-acre site in the southwest quadrant of the campus. The scope of the first phase includes the construction of approximately 253 parking spaces. The second phase will include two buildings totaling 220,700 GSF, 591 surface parking spaces and a 315-space parking garage on 8.2 acres. The trustees provided conceptual approval for the 12.5-acre business park in November 2006.

Development of the site for commercial use will include the extension of Scarlet Oak Boulevard along the east boundary of the parcel in Phase I. This street will be used as a primary entrance to access the core of the Bakersfield campus from the south. This project will provide academic benefits for the students and faculty through internships, employment of graduates and revenue for academic programs via long-term ground lease payments.

**University Office Park, Phase I Schematic Design**
*Project Architect: Delawie Architects, Inc.*
*Design/Build Contractor: S.C. Anderson, Inc.*

**Description**

The proposed three-story, steel frame building is enhanced with an outdoor plaza, shade pavilions and articulated building facades incorporating metal panels and varied rooflines. This project will be designed to achieve Leadership in Energy and Environmental Design (LEED) Silver certification. Energy conservation measures incorporated into the new facility are high efficiency HVAC systems, energy efficient lighting and motion sensors. Other sustainable measures planned for reducing energy consumption are low emission reflective glazing and a reflective roof system. Water conservation type fixtures will be employed throughout the building. The proposed site plan includes drought resistant plants, drip irrigation, a site drainage system utilizing permeable landscape and areas to retain stormwater runoff to promote ground water recharge.

**Timing**

| | |
|---|---|
| Preliminary Plans Completed | March 2015 |
| Working Drawings Completed | July 2015 |
| Construction Start | August 2015 |
| Construction Completed | June 2016 |

**Basic Statistics**

| | |
|---|---|
| Gross Building Area | 61,300 square feet |
| Assignable Building Area | 49,000 square feet |
| Efficiency | 80 percent |

**Cost Estimate – California Construction Cost Index 6151[1]**

| | | |
|---|---|---|
| Building Cost ($112 per GSF) | | $6,864,000 |
| *Systems Breakdown* | *($ per GSF)* | |
| a. Substructure (Foundation) | $ 3.85 | |
| b. Shell (Structure and Enclosure) | $ 59.80 | |
| c. Interiors (Partitions and Finishes) | $ 12.22 | |
| d. Services (HVAC, Plumbing, Electrical, Fire) | $ 26.07 | |
| e. General Conditions and Insurance | $ 10.03 | |
| Site Development (including landscaping and parking) | | 1,598,000 |
| Construction Cost | | $8,462,000 |
| Fees, Contingency, Services | | 1,938,000 |
| Total Project Cost ($170 per GSF) | | $10,400,000 |
| Fixtures, Furniture & Movable Equipment | | 0 |
| Grand Total | | $10,400,000 |

**Cost Comparison**

The project's building cost of $112 per GSF reflects the nature of a speculative office facility with steel frame construction and the unfinished condition of interior spaces. However, by comparison, this project is lower than the building costs of $202 per GSF for Innovation Village, Phase V and $165 per GSF for Innovation Village, Phase III both for Cal Poly Pomona, adjusted to CCCI 6151. The lower building cost for this project reflects the differences in construction type (steel frame versus tilt up concrete construction), and differences in floor to floor height and building type (open office with 9 foot ceilings versus lab with 16 foot floor to floor height first level and 14 foot for second and third levels).

**Funding Data**

Funding for this project will be provided entirely by the Developer. The trustees will also consider the terms of the proposed development agreement with the Developer during the January 2015 Committee on Finance meeting.

[1] The July 2014 Engineering News-Record California Construction Cost Index (CCCI). The CCCI is the average Building Cost Index for Los Angeles and San Francisco.

**California Environmental Quality Act (CEQA) Action**

At its September 2014 meeting the Board of Trustees approved the Final Initial Study/Mitigated Negative Declaration for the Bakersfield University Office Park pursuant to the California Environmental Quality Act and State CEQA Guidelines. During the environmental review process, there were no significant impacts identified and no adverse public comment received. The trustees found that the CSU Bakersfield University Office Park, Phase I project is consistent with the Final Mitigated Negative Declaration and that the effects of the project were fully analyzed in the Final Mitigated Negative Declaration.

**Recommendation**

The following resolution is presented for approval:

**RESOLVED**, by the Board of Trustees of the California State University, that:

1. The Final Initial Study/Mitigated Negative Declaration was prepared pursuant to the California Environmental Quality Act and State CEQA Guidelines.

2. The California State University, Bakersfield University Office Park Phase I project is consistent with the Final Mitigated Negative Declaration prepared pursuant to the California Environmental Quality Act and State CEQA Guidelines and that the effects of the project were fully analyzed in the Final Mitigated Negative Declaration.

3. The 2014-2015 non-state funded capital outlay program is amended to include $10,400,000 for preliminary plans, working drawings and construction for the California State University, Bakersfield University Office Park, Phase I project.

4. The schematic plans for the California State University, Bakersfield University Office Park, Phase I, are approved at a project cost of $10,400,000 at CCCI 6151 and in accordance with the timing schedule identified in this Board Agenda Item 3.

## COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

**Acceptance of Interest in Real Property at California State University, San Bernardino Palm Desert Off-Campus Center**

**Presentation By**

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

**Summary**

The California State University Board of Trustees' standing orders delegate the acceptance and disposition of real property to the chancellor or his designee. This item informs the board of significant real property interest to be acquired through this delegated authority. The property of interest is proposed to be conveyed from the City of Palm Desert to the California State University.

The real property to be accepted is a 113-acre parcel of land located adjacent to the existing CSU San Bernardino Palm Desert Off-Campus Center and the remaining property that had been reserved for the future expansion of the campus. The Board of Trustees previously approved the off-campus center master plan identifying this potential future acquisition to carry out the primary mission and functions of the CSU.

**Background**

In 1994, the CSU entered into a Memorandum of Understanding with the City of Palm Desert and the Palm Desert Redevelopment Agency to acquire land for the purpose of constructing a CSU off-campus center. In 1999, the Palm Desert Redevelopment Agency approved a Disposition and Development Agreement which conveyed 40 acres of the approximately 200-acre site to the CSU for the initial development of the CSU San Bernardino Palm Desert Off-Campus Center. The remaining property ("Reserve Property") was to be held by the city for future expansion of the off-campus center.

In March 2001, the Palm Desert Redevelopment Agency approved an amendment to the Disposition and Development Agreement increasing the conveyed acreage granted from 40 acres to 55 acres to the CSU for the off-campus center. As part of the amendment, the CSU also released its option rights on 20 acres of the Reserve Property to the University of California,

Riverside for development. In 2008, the CSU agreed to release its option rights on an additional three acres for the construction of a fire station by the City of Palm Desert.

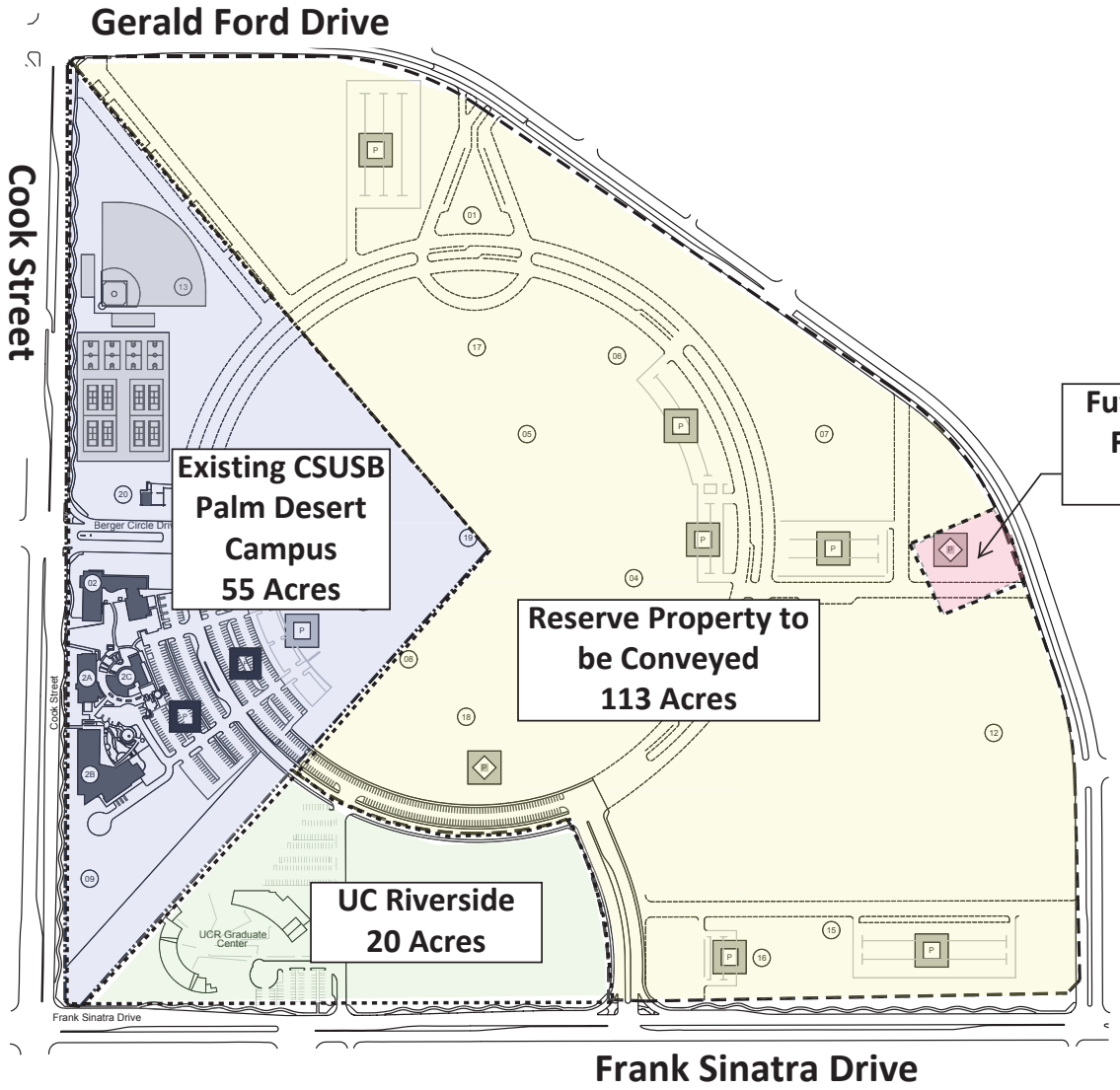
A campus master plan was approved by the trustees in 2000 for the development of the property based upon the approval of the property acquisition included in the Disposition and Development Agreement. Local funding of $33 million was utilized to construct the three phases of facilities for the CSU San Bernardino Palm Desert Off-Campus Center, which allowed the center to move from the College of the Desert community college to begin operation on the permanent site in 2002. This enabled the state to provide minimal capital outlay funds for only the furnishing and equipment associated with the building projects. Today, the Palm Desert Off-Campus Center is home to approximately 1,100 undergraduate and graduate students (913 full-time equivalents). The first freshman class was admitted during the 2013 fall quarter, making CSU San Bernardino Palm Desert Off-Campus Center the only four-year public university choice in the Coachella Valley. The development of the Palm Desert Off-Campus Center is one of the CSU's valued exemplars of local community support for higher education.

**Acceptance of Reserved Property**

Effective October 1, 2011, Assembly Bill 26 dissolved all California redevelopment agencies and designated successor agencies to take control of redevelopment agency assets and properties and oversee their disposal. The City of Palm Desert is the successor agency to the Palm Desert Redevelopment Agency. The city's University Planning and Development Committee, comprised of representatives from the CSU, the University of California, the City of Palm Desert, and members of the community has approved, and continues to support, the conveyance of this property.

The City of Palm Desert seeks to advise the Department of Finance of the existence of a Disposition and Development Agreement and to secure their approval to convey the remaining 113-acre Reserve Property for the continued utilization of the property for public higher education and to further the educational goals of the CSU. Conveyance of the site to the CSU will allow for the master planned development of the Palm Desert Off-Campus Center and enhance access to higher education in the Coachella Valley. It is anticipated that the Disposition and Development Agreement for the remaining Reserve Property will be executed and the land transferred by March 2015.

Attachment A is the off-campus center master plan approved by the Board of Trustees in 2000. The map depicts the area currently held by the CSU, the area for UC Riverside, the proposed future city fire station, and the planned 113 acres previously approved by the board for future acquisition.




California State University, San Bernardino
Palm Desert Off-Campus Center

Campus Master Plan
Master Plan Enrollment: 2,500 FTE
Approval Date: May 2000
Revised Date:
Main Campus Acreage: 55

N

0 200' 400' 800'

| Buildings | Campus Boundary | Parking |
|---|---|---|
| EXISTING BUILDING | EXISTING | EXISTING LOT |
| FUTURE BUILDING | FUTURE | FUTURE LOT |
| TEMPORARY BUILDING | | EXISTING STRUCTURE |
| EXISTING BUILDING NOT IN USE | | FUTURE STRUCTURE |

# **California State University,** San Bernardino

**Palm Desert Off-Campus Center**

Master Plan Enrollment: 2,500 FTE

Master Plan approved by the Board of Trustees: May 2000

1. *Information and Public Safety*
2. Mary Stuart Rogers Gateway Building
2A. Indian Wells Center for Education Excellence
2B. Health Sciences Facility
2C. Indian Wells Theater
3. *College of Education*
4. *College of Social and Behavioral Sciences*
5. *College of Natural Sciences*
6. *College of Engineering*
7. *College of Business*
8. *College of Humanities*
9. *Extended Education*
10. *Rancho Mirage Student Center*
11. *Arena and Aquatic Center*
12. *Track and Field*
13. *Baseball Diamond*
14. *Housing*
15. *Physical Plant*
16. *President's Residence*
17. *Administration*
18. *Resource Center*
19. *Clock Tower*
20. Utility Substation

LEGEND:
Existing Facility / *Proposed Facility*

NOTE: Existing building numbers correspond with building numbers in the Space and Facilities Data Base (SFDB)

**COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS**

**California State University Channel Islands' CI 2025 Strategy**

**Presentation By**

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

Richard Rush
President
California State University Channel Islands

**Summary**

This item provides the California State University Board of Trustees with information on California State University Channel Islands' CI 2025 strategy, the campus' next major phase of facilities expansion. In addition to traditional methods available to deliver capital projects, CSU Channel Islands continues to seek alternative methods to build out the campus, including opportunities made available through the California State University, Channel Islands Site Authority (Site Authority), as appropriate, by establishing public/private partnerships or public/public partnerships. The information outlined below serves as the introduction to the CI 2025 plan. Future individual agenda items will be presented to the Board of Trustees to obtain approval for individual projects identified in the master plan that are critical to delivering basic campus services to students.

**Background**

CSU Channel Islands is the 23rd campus of the CSU. In 1998, the board acquired the site, originally designated as a state hospital in 1933, from the state after operating an off-campus center for CSU Northridge in leased facilities for many years. Since the campus opened its doors in 2002, it has distinguished itself as an institution of higher education and provides strategic educational access to Ventura, Santa Barbara, and Los Angeles counties. This location enables synergistic alliances, capitalizing on close proximity to research and outreach opportunities offered by the regional presence of entities such as the Channel Islands National Park Service, military bases, a major commercial port, and other business sectors, including technology.

With a long-term plan master plan to accommodate 15,000 full-time equivalent students (FTE) and assuming a modest enrollment growth over the next decade, the campus wishes to annually

increase its current enrollment of 5,200 FTE to serve its mission. This increase requires a corresponding addition of academic facilities as well as essential student support facilities such as housing, health services, and recreation/wellness facilities. Since transfer of the property, 400,000 square feet of space has been renovated and 666,000 square feet of new construction has been added. Former hospital space of 500,000 square feet is unoccupied and requires renovation.

Unlike more mature CSU campuses, Channel Islands is challenged to build critically needed facilities to accommodate enrollment expansion. The campus has successfully sought various community and private contributions, and nurtured partnerships to help develop the site. However, costs to transform the property for university purposes continue to increase and the state's economic environment over the last decade has been challenged to adequately resource the capital facility needs of the CSU. Therefore, to respond to the campus' educational mission with a plan for modest growth and better deliver the academic program, it is imperative to identify alternative ways to fund and build academic and student support facilities.

**California State University Channel Islands Site Authority**

To foster redevelopment of the site and to financially support further development of the campus, the same year that the campus site was acquired from the state, the California Legislature created the Site Authority and empowered it with local government authority for the community development areas of the campus, including land use (Government Code Section 67470-67480; Health and Safety Code 33498-33498.2).

The Site Authority's essential objectives include:

- Facilitate the optimal use of the former hospital site by the CSU and other compatible uses, and mitigate the onsite and offsite impacts of those uses;
- Promote development and redevelopment of the site through tax incentives;
- Provide income for further development of the campus;
- Provide desirable economic, cultural, and social benefits to the region;
- Provide revenue-generating authority to achieve the development and other beneficial educational uses of the campus and its environs; and
- Plan for, finance, and carry out the reuse of the former hospital site.

With its authority to generate revenue, the Site Authority created university-related commercial and residential programs that provide revenue to support the campus' development. The Site Authority began implementation of a residential development in 2002, referred to as University Glen. Approximately two-thirds (658 units) of a planned 900-unit faculty and staff residential community of for-sale single family homes, apartment/townhome rentals, and a town center that includes retail and commercial services were completed by 2007 under a ground lease between the Site Authority and the CSU Board of Trustees. These 658 units are occupied and generate

revenue for the campus. The completion of University Glen was halted in 2008 and 242 units of planned for-sale housing were not completed because of increases in construction costs and the national housing market crash that occurred during that time.

From this development, the Site Authority collects rental income, property and possessory interest taxes, Mello-Roos special taxes, and campus-generated sales and use tax. That income is used to meet operating and debt service obligations related to the financing of the residential development, with any excess intended to assist in campus development. As of June 2014, total Systemwide Revenue Bond indebtedness for the Site Authority, including the financing of the campus library, is approximately $194.7 million. Because the final phase of for-sale housing was not completed, revenues generated by the development have not been as high as originally expected and the Site Authority has required contributions from systemwide resources to cover the $11.1 million annual debt service.

**CI 2025 Strategy**

CI 2025 is a comprehensive capital expansion strategy being developed to make progress toward achieving the university's mandate of serving 15,000 FTE. A long history of support exists for the university from leaders in the region to meet the demand to educate future leaders for this region and the state. To adequately serve current and future students, new living and learning facilities are needed, including facilities to support and grow campus educational, cultural and athletic activities, as well as recreation and wellness programs. In addition, the plan identifies potential capital projects suitable for partnerships with community groups to serve regional needs, creating relationships and generating revenue.

Given the prospect that the level of support from the state for capital projects will not increase significantly, the campus seeks to advance a strategy to achieve its mission by leveraging current assets and exploring alternative capital delivery options. The strategy proposes to facilitate the delivery of several critical capital projects including such revenue-generating projects as University Glen, Phase 2 housing, and expansion of the Town Center retail/housing complex. To assist the campus with identifying all real estate opportunities, in June 2014 the Site Authority supported the engagement of a consulting firm to:

1. Assess the financial status of existing real estate development;
2. Evaluate potential real estate revenue sources and approaches to reducing costs;
3. Evaluate alternative financing and development structures, including public/private and public/public partnerships to free up financial resources;
4. Develop multiple real estate strategies to support CI 2025 priorities; and
5. Develop an implementation plan for the selected development strategy.

Early Concept Project Information

The early modelling of the most viable strategies supports positive cashflow opportunities for the campus to invest in the academic campus in significantly meaningful ways and to reduce the Site Authority debt for the University Glen housing development by half.

The first CI 2025 project to be considered would be constructed in University Glen on Site Authority leased land that was originally slated for the construction of the final 242 attached and detached for-sale units. With the new project, it is envisioned that up to 590 rental apartments will be constructed. This project will complement the existing 658 units that already exist in University Glen, which is comprised of 184 for-sale single family attached and detached homes, 58 apartments located in a multi-use building, 328 apartments, and 88 rental town homes.

The CI 2025 strategy would propose that the Site Authority enter into a public/private partnership for the development, construction and operation of the 590 rental apartments; sell the 328 existing apartments, and convert the 88 rental town homes to for-sale product as the rental leases expire. Proceeds from the sale of the existing housing assets would be used to reduce the Site Authority's outstanding Systemwide Revenue Bond debt. Analysis of the real estate market in Ventura County (for-sale and rental) supports this strategy. Work continues on the project options to assess such areas as the impact on affordable faculty/staff housing, existing residential operations, fiscal and environmental impacts prior to returning to the board.

**Educational Benefits**

To date, state funding with some donor funds has provided classrooms, labs, faculty offices, and student support services. Systemwide Revenue Bonds have been used to finance self-support projects to provide student housing, parking and student union facilities. While the state recently increased the CSU's authority to finance capital facilities, it did not adequately resource the support budget to fund the construction of capital facilities for campuses that have not built its full complement of buildings to serve the academic program. Developing the CI 2025 strategy is vital to the academic mission of the University as it will provide a comprehensive method to increase access to a growing student demand.

**Approval of Concepts and Final Development Plans**

Prior to the execution of commitments for the development and use of the properties, conceptual approval of individual projects will be presented at future meetings of the Board of Trustees. In addition, any related environmental documents and master plan revisions, amendments to the non-state capital outlay program, schematic plans, financial plans, and/or key business points of finalized development agreements plans will be presented to the Board of Trustees for approval.

*Corrected*

# AGENDA

## COMMITTEE ON FINANCE

**Meeting:** **9:15 a.m., Wednesday, January 28, 2015**
**Glenn S. Dumke Auditorium**

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

**Consent Items**

Approval of Minutes of Meeting of November 13, 2014

**Discussion Items**

1. Working Group on Category II Student Success Fee, *Action*
2. Policy on Voluntary Statewide Student Involvement and Representation Fee (SIRF), *Action*
3. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University Channel Islands and California State Polytechnic University, Pomona, *Action*
4. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Systemwide Infrastructure Improvement Projects, *Action*
5. Approval of the Final Development Agreement for a Commercial Office Facility on Real Property at California State University, Bakersfield, *Action*
6. Report on the 2015-2016 Support Budget, *Information*
7. California State University Investment Authority, Policy, and Portfolio Review Initiative, *Information*
8. Implementation of Governmental Accounting Standards Board Statement No. 68−Accounting and Financial Reporting for Pensions−an amendment of Governmental Accounting Standards Board Statement No. 27, *Information*

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

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

**November 13, 2014**

**Members Present**

Roberta Achtenberg, Chair
Steven M. Glazer, Vice Chair
Talar Alexanian
Adam Day
Rebecca D. Eisen
Debra S. Farar
Margaret Fortune
Lupe Garcia
Timothy P. White, Chancellor
Lou Monville, Chair of the Board

Trustee Achtenberg called the meeting to order.

**Approval of Minutes**

The minutes of September 9, 2014 were approved by consent as submitted.

**Public Comments**

Trustee Achtenberg introduces eighteen public speakers. The majority were students, faculty and alumni speaking in favor of the student success fees provided there is a transparent process and campuses and students define and implement the student success in a fashion that is efficient and effective and takes into consideration the uniqueness of each campus. One former student, two current students and two community college students spoke out against the fees. Additionally, two speakers spoke in support of housing at Cal Poly San Luis Obispo.

**Approval of the 2015-2016 Support Budget Request, *Action Item***

Mr. Steve Relyea, Executive Vice Chancellor for Budget, stated that this item seeks approval of the recommended 2015-2016 CSU Support Budget Request. He added that at the September meeting, staff presented a preliminary support budget plan for 2015-2016. Input from that meeting was considered and incorporated into the proposed 2015-2016 CSU Support Budget. He remarked that as discussed at the last board meeting, there is a gap between what is expected to be in the Governor's Budget and what is believed to be necessary to achieve the University's

goals for the year. Mr. Relyea stated that in keeping with the Board's direction, staff will do their best to advocate for a budget that will allow the University to fulfill its obligations to the people of the State of California.

Mr. Ryan Storm, Interim Assistant Vice Chancellor for Budget, stated that at the last meeting, staff discussed many aspects of the CSU budget and previewed a preliminary list of the components of the budget. He stated that this expenditure plan would bring annual spending for support of the CSU to approximately $5 billion, including systemwide tuition revenues (net of financial aid). The support budget includes $65.5 million for a two percent increase to the compensation pool for 2015-2016 and a three percent increase in funded student enrollment to accommodate a small portion of the over 20,000 students who have been denied access for each fall admission cycle between 2010 and 2013 because the University did not have sufficient financial resources from the state to admit and educate them. Access to education and the preparation of the State's future workforce depends on the State investing in the CSU. He went on to state that there are a variety of efforts and strategies to facilitate degree completion and student success at CSU campuses and that $38 million would be committed to these initiatives. He added that under this recommendation, $14 million would be prioritized for information technology infrastructure to meet the most urgent needs for campus network upgrade and renewal. Specifically, these funds will be used to replace the data network equipment at each campus on a four to five year replacement cycle. The vast majority of the University's network equipment is obsolete and no longer supported by vendors. This upgrade is particularly critical considering the last major IT initiative took place more than thirteen years ago.

Mr. Storm remarked that the CSU's backlog of facility maintenance and infrastructure needs is massive and growing. Even with the State having made statutory changes that provide the CSU with the autonomy to self-determine its academic-related capital program, the State did not provide sufficient funds in 2014-2015 for the CSU to capitalize the new program. Consequently, annual support budgets will not be able to retire significant portions of maintenance backlog for many years without additional resources identified for this purpose. The current year budget commits $10 million to address the University's most pressing renewal projects and staff will bring those projects back in January for approval. That investment would mitigate the growth of the deferred maintenance backlog and keep the balance at approximately $1.8 billion in 2015-2016. The recommended support budget includes $25 million for academic facilities and infrastructure needs. These funds could pay for projects on a pay-as-you-go basis, or be used to finance projects. Together, these investments total $269 million.

He added that accounting for new systemwide tuition revenue of $52 million linked to funded student enrollment and the Governor's Office funding commitment of $119.5 million, these items would require additional new ongoing revenues from the State of $97 million. Staff will request the additional $97 million from the State. Under the Governor's Office plan, new funding would only allow for a one percent increase in current and new student enrollment and would not allow for new commitments for infrastructure or student success, unless portions of the very small balance are allocated to these categories. He stated it would be a challenge under the Governor's Office plan to significantly invest in students, faculty, staff, and infrastructure.

Trustee Glazer thanked Mr. Relyea and Mr. Storm for the presentation and work on preparing the budget plan. He remarked that there are two options to address capital and maintenance which are a one-time spending of $25 million or using that money to borrow $300-$400 million. He stated that asking for $25 million is not at all sufficient and it should be substantially increased. He added that from 2007-2008 to the present day, there is a large gap in State cuts and restoration between the CSU and the UC, Corrections, Kindergarten through grade 12 education, and community colleges, with the CSU receiving far less than the other groups. He also stated that limiting enrollment growth does not stop campuses from accepting new students each year. Trustee Glazer also questioned if the board was in effect determining budget priorities at this meeting.

Chancellor White concurred with Trustee Glazer that $25 million for infrastructure is not enough and the goal would be to increase that amount over time. He also stated that demand exceeds capacity and the presidents discussed the issue of limited enrollment growth and determined that an amount greater than zero was desirable. He stated that the discussion at this meeting informs the submission to the executive branch for the construction of the executive budget that is to be released in January. After January, the CSU will have a better indication of the funds it is likely to receive which will provide an opportunity for the Board to weigh in on priorities.

Trustee Eisen commented that if the CSU receives a lower amount than requested that it could choose to divert the money set aside for a one percent enrollment increase towards something else such as deferred maintenance. Chancellor White stated that was true. However, Chancellor White noted that campuses are currently planning their enrollment for the coming year and any decisions made by the board now would immediately affect decisions being made on the campuses. He also wanted to take the opportunity to point out that roughly four percent of the students attending the CSU are not funded by the State. These are referred to as "unfunded students." If the State were to fully fund the CSU based on its existing students it would need to provide the CSU with approximately an additional $90 million.

Trustee Day mentioned the possibility of charging students with excessive credits the non-resident tuition rate as a way to bring in additional funds. He also confirmed that the CSU is hoping for a three percent increase in enrollment but is planning on an increase of approximately one percent.

Trustee Fagan noted that this discussion is about choices and noted the possibility of looking at the total CSU budget and how dollars can be shifted to priorities. He also stated he would like to see recognition here of a need for innovation. The legislature and governor have made it very clear that they are concerned and interested in seeing the CSU innovate in ways that could make it more effective in accomplishing its goals.

The commit recommended approval for the 2015-2016 Support Budget Request (RFIN 11-14-05).

**Approval of the 2015-2016 Lottery Revenue Budget, *Action Item***

Mr. Ryan Storm, Interim Assistant Vice Chancellor for Budget, stated that The California State University proposed Lottery Budget for 2015-2016 was presented for the Board's consideration as an action item following September's information item discussion. He reminded the Board that each year that they are asked to adopt a systemwide lottery revenue budget that adheres to Lottery Act provisions and that incorporates CSU guidelines. He stated that the modest proposal for their consideration is a $3.1 million increase in lottery expenditures, primarily focused on the Early Start and Pre-Doctoral programs. He stated the 2015-2016 proposed Lottery budget presented for adoption includes a recommendation for increased expenditures to match growing Lottery receipts, largely based on the addition of Powerball in 2012 and the resulting increase in lottery activity. He added that not included in this figure is a $5 million reserve, set aside each year that remains available to smooth out any unanticipated volatility that could occur on the revenue side. He stated that there are planned expenditures, equaling anticipated receipts of $44.1 million. He added that staff recommends approval of this recommended Lottery Revenue Budget for 2015-2016.

Trustee Alexanian questioned how the funds are provided to different campuses to ensure fair distribution and if the campus carries money over from one year to the next how it affects the allocation it receives in the following year. Mr. Storm stated that the money is allocated on a full-time equivalent student basis and monies carried forward are not considered when the distribution is calculated.

The committee recommended approval of the 2015-2016 Lottery Revenue Budget (RFIN 11-14-06).

**Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University Channel Islands and California Polytechnic State University, San Luis Obispo*, Action Item***

Mr. George V. Ashkar, Assistant Vice Chancellor/Controller for Financial Services stated that this item requests the California State University Board of Trustees to authorize the issuance of long term Systemwide Revenue Bond (SRB) financing and the issuance of Bond Anticipation Notes (BANS) to support interim financing under the Commercial Paper Program in an aggregate amount not-to-exceed $299,045,000 for the financing of two campus projects. The following are financing items in which revenue generated by the relevant facilities covers the cost of the debt service and operating expense. These campus financings are not affected by the new financing authorities that were discussed in the joint meeting of the Committee on Financing and Campus Planning, Buildings and Grounds.

Mr. Ashkar stated that the first project is related to the financing of California State University Channel Islands Student Housing Phase Three project. The project consists of approximately 600 beds, community living rooms and kitchens, study rooms, administrative office space and a village courtyard environment. The not-to-exceed value of the proposed bonds is $64,350,000 and is based on the total project budget of $58,399,000 with a program reserve contribution of $2,500,000. The project is scheduled to begin construction in February 2015 with completion in July 2016.

He added that the campus financial plan projects a housing program net revenue debt service coverage of 1.37 in 2017-2018, the first full year of operations, which exceeds the minimum CSU benchmark of 1.10 for the program. When combining the project with information for all campus pledged revenue programs, the campus' overall net revenue debt service coverage for the first full year of operations is projected to be 1.42 which exceeds the CSU minimum benchmark of 1.35 for the campus.

Mr. Ashkar then indicated that the second project is the California Polytechnic State University, San Luis Obispo Student Housing South project. The project consists of approximately 1,475 beds in seven residence halls totaling approximately 384,000 gross square feet, including a 483 space parking structure. The space includes student gathering areas and housing and residential life staff offices. The not-to-exceed par value of the proposed bonds is $234,695,000 and is based on a total project budget of approximately $199 million with a program reserve contribution of $10 million.

He remarked that the project is scheduled to begin construction in February 2016 with completion in July 2018. The campus financial plan projects a housing program net revenue debt service coverage of 1.10 in 2019-2020, the first full year of operations, rising thereafter to exceed the minimum CSU benchmark of 1.10 for the program. For all campus pledged revenue programs, the campus' overall net revenue debt service coverage for the first year of service is projected to be 1.58, which exceeds the CSU benchmark of 1.35 for the campus. Exceeding the benchmark is desirable.

Mr. Ashkar told the board that staff recommends approval of both projects.

Trustee Eisen stated that as mentioned at a prior board meeting, it would be helpful to see these projects laid out for on a spreadsheet so the Board can see the various aspects of the project and when they came or are coming to the board for approval. Ms. Elvyra San Juan, Assistant Vice Chancellor for Capital Planning, Design and Construction stated that staff is working on a report.

The committee recommended approval to issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for projects at California State University Channel Islands and California Polytechnic State University, San Luis Obispo (RFIN 11-14-07). Trustee Glazer abstained from the vote.

**Real Property Development Project at California State Polytechnic University, Pomona for Innovation Village Phase V, Commercial Office and Research Facility for Southern California Edison Company, *Action Item***

Mr. George V. Ashkar, Assistant Vice Chancellor/Controller for Financial Services, stated that Innovation Village was originally approved by the Board in 1999 as a 960,000 square foot public/private development with multiple projects over 65 acres at the campus.

The economic impact of Innovation Village as of 2011 has been estimated to be $700 million annually to the local economy and is projected to be $1.2 billion at full build out. This project is the fifth development within the approved 65 acre site and consists of a 123,000 square foot commercial office and research building as well as 446 parking stalls on approximately seven acres. It is proposed that CSU will enter into a ground lease with the Cal Poly Pomona Foundation, Inc. The Foundation will sub-lease the land to the Southern California Edison Company.

Mr. Ashkar stated that this project holds significant benefits for the students and faculty at Cal Poly Pomona. Staff recommends approval of the Innovation Village Phase V.

The committee recommended approval of the real property development project at California State Polytechnic University, Pomona for Innovation Village Phase V, Commercial Office and Research Facility for Southern California Edison Company.

**2014-2015 Student Fee Report, *Information Item***

Mr. Ryan Storm, Interim Assistant Vice Chancellor for Budget, stated that each November, the board is presented with a campus-based mandatory fees report as an information item. He stated that these fees vary greatly from campus to campus, as the CSU Fee Policy is designed to allow campuses flexibility to set and adjust fees according to unique campus needs.

Mr. Storm stated that student success fees are traditionally included in the Materials, Services, and Facilities (MSF) fee category. He noted student success fees are small in comparison to other campus-based mandatory fees and are four percent of all tuition and campus-based mandatory fees.

Mr. Storm indicated that, over the years, students and campuses have created fees for academic purposes as well as for specific, non-academic purposes such as student body centers, student body associations, athletics, school spirit and health services. Many of these non-academic fees are significantly larger than student success fees. The vast majority of these non-academic fees have been approved by way of student referendum. He stated that campus mandatory fees cover a wide range of functions and that no two campuses are the same.

Mr. Storm noted that the change in campus-based mandatory fee rates from last year to this year increased modestly systemwide by $64. He stated that increases in these fees occurred for various reasons. Some campuses have authorized annual incremental increases for certain fees that are tied to either the California Consumer Price Index or Higher Education Price Index. Additionally, new student success fees were implemented at Dominguez Hills, Fullerton, and San Diego, which were adopted in 2013-2014 before the State's moratorium went into effect. In another case, at Cal Poly Pomona, the Student Body Center fee was increased through student referendum in order to construct a new student center, which accounts for the sizeable increase of that campus-based fee. While less common, fees may occasionally decrease from one year to the next. San Jose's student success fee decreased as the campus revised its administrative methodology for its student success fee.

Mr. Storm compared CSU costs to fifteen comparison public institutions stating that the total of CSU's tuition and average campus-based fees is lower than all but one of the fifteen institutions. The comparison group tuition and fee average is $10,126, and the CSU tuition and fee average is $6,759, or 33 percent below the comparison average.

He added that 57 percent of undergraduates have their tuition fully covered by grants or waivers, 51 percent of CSU baccalaureate recipients graduated with zero education loan debt, and of the 49 percent who graduated with debt, the average loan debt of approximately $18,000 is well below the national average of $29,000 for other public and private institutions.

**Working Group on Category II Student Success Fee, *Information Item***

Chancellor White stated that the working group was formed in response to questions from trustees, students, faculty senates and the public in order to provide a history of campus-based mandatory Category II student success fees, review current policies and processes, and make recommendations for the adoption of such fees in the future. He recalled that recently enacted legislation placed a moratorium until January 1, 2016 on new student success fees pending Board review. He stated that the Chancellor's Office is required to report to the state by February 1, 2015 on any related revisions to CSU fee policy.

Chancellor White added that the most important voices in this process were those of the campus community. Through open forums on the campuses of Northridge, Sonoma and Los Angeles, the group heard from students, faculty, staff and the broader CSU community. Additionally, trustees met with campus representatives at each of the host campuses, including the president, vice president of finance, vice president of student affairs, associated students president, senate chair, representatives of the California Faculty Association and the student newspaper. The open forums and campus meetings were augmented by online and email feedback. After a review of these various perspectives and data points the workgroup developed a series of findings.

Dr. Ron Vogel, Associate Vice Chancellor, stated that twelve of the 23 campuses with existing student success fees were reviewed. Ten of the twelve campuses used alternative consultation to enact their student success fee. One campus used a student referendum and one campus used a student referendum only if students participated in an informational session.

Dr. Vogel indicated that under current policy, a campus president submits a signed fee request to the Chancellor that provides a justification for the fee and a detailed statement of compliance with the terms, conditions and requirements of CSU fee policy. The formal notification to the Chancellor typically includes a detailed description and timeline of consultation that has occurred at the campus. If absent, the System Budget Office will request information on the consultation process for inclusion in the Chancellor's review process prior to a decision regarding the establishment of the fee.

Dr. Vogel added that since the authority for regulating Category II campus-based mandatory fees

has been delegated to the Chancellor and campus presidents, the Board is not formally notified at the time these fees are established or adjusted. However, informally the Board may be informed of such fees during their review of the annual report on systemwide campus-based mandatory fees. Additionally, the Board may be made aware of campus discussions on Category II fees through a variety of communication outlets such as public comment at Board meetings, campus newspapers, and social media as a result of open transparency rules governing all mandatory fee actions that occur at CSU campuses.

Dr. Vogel added that the work group found that accountability and outcome reporting processes across the twelve campuses with student success fees varied. It was consistently reported, however, there was room for improvement on clarity, transparency, and accountability, specifically with regards to how the fee revenues are generated, where they are invested and the impact of these fees on student success. Additionally, he stated the need for greater student involvement in the allocation decision-making process.

Dr. Vogel stated that the work group requested that a qualitative assessment be performed to organize responses into themes, both for and against student success fees, with regard to impact on student success and affordability. He went on to explain that there were five overarching themes of those who opposed the Category II student success fees. They included that the fees present financial burdens that negatively impacted students; are another form of tuition; lack transparency and student input; should be paid for by the State; and hinder progress to degree.

Dr. Vogel indicated there was also a considerable amount of testimony from students, faculty, staff, administrators, and the public supporting student success fees and associated positive impacts. There were five broad themes of those who supported Category II student success fees. These were to enhance the total student experience by improving and strengthening campus life and spirit such as athletics; promote a quality education, for example, by adding academic advising and support; provide additional faculty, staff and classes; increase technology and classroom equipment, such as computers, labs, and campus-wide Wi-Fi; and increase critical student services such as extended library hours, veterans centers, disabled student services and career centers.

In reviewing the application of Category II mandatory student success fees, Dr. Vogel added that there is broad variation across the system. Currently, among the twelve campuses with student success fees, fees range from $162-$830 a year at full implementation. On average, student success fees represent only four percent of the total tuition and campus-based mandatory fees. He stated that an increase in fees increases the cost of attendance; however, the majority of students who spoke during open comments stated that the benefits received from Category II fees outweighed the costs and they were willing to pay the additional fees. He added that in the CSU, 57 percent of students do not pay tuition or Category I fees. In addition, these students typically receive over $3,000 for other mandated fees (such as Category II fees), transportation, books, and other living expenses.

Chancellor White briefly summarized the group’s preliminary recommendations. He stated that there was little evidence of broad campus support for repeal of existing Category II student

success fees, or to suggest students would benefit from changing existing fees already implemented on campuses. Therefore, the group recommends maintaining existing campus fees and respecting local control of those dollars. A sunset provision is not recommended. Such a provision would create an environment of perpetual uncertainty for programs and the students, faculty and staff who benefit from those programs. For all future Category II student success fees, the working group recommends the requirement of a binding 50 percent plus one vote of students to implement. This is true to the spirit of students choosing to support their own education, and to the principle of local control. Finally, he added that campuses should continue their upfront efforts to inform and engage students, faculty and staff. Campuses should also sustain a high level of involvement and transparency in ongoing allocation decisions.

Chancellor White noted that the working group, while unanimously supportive of the recommendations, did not reach consensus on the approval authority for Category II fees if such fees are for classroom purposes that are historically covered by tuition and state funding. The working group will conduct at least one more public meeting to finalize the preliminary recommendations. As part of that next public meeting, Chancellor White has asked staff to prepare additional information on the topic of financial aid and other cost mitigation practices for students most directly burdened by increased mandatory fees. Additionally, consultation with the California legislature will occur before February 1, 2015, to ensure areas of legislative concern have been addressed.

Chancellor White then asked representative of the working group to provide comments.

Student Trustee Talar Alexanian stated that it was enlightening to hear opinions of the stakeholders. She wanted students to be at the forefront of the campus decision-making process to ensure transparency of the process. A thorough consultation process provides the campus and stakeholders with invaluable information about students' perspective and needs. The working group recommendations will provide for a transparent, representative and fair process that values students and allows for the individual campus culture on the 23 campuses to be accurately reflected in the final fee proposals sent to the Chancellor. Trustee Alexanian stressed the importance of continuing to advocate for increased State support and making sure that the cost of education is not shifted from the state to students.

President Garcia stated that she was in agreement with the recommendations of the working group. She noted that the process at her campus was inclusive and transparent and sought input from students, faculty and staff. A mandatory online portal was implemented so that when all students logged in they had to either read about the student success initiative and take the survey, or opt out of the information. This occurred for every student three times and they could not move forward without making that decision. More than 30,000 individual students viewed the survey message three times. Based on the student feedback during the consultation process, the student success initiative committee revised the proposal down by $59. A comprehensive marketing plan is being developed to include an annual report card that will be available online. It will be updated yearly with both qualitative and quantitative data results from the initiatives supported by the fee.

President Armstrong stated that he supports the working group's recommendations. He noted that the working group recommends a binding vote and stated that this is of critical importance to his campus as it values student involvement and priorities. Students at his campus voted almost 60 percent in favor of the student success fee with the belief that additional faculty, and thus additional class and lab sections, would decrease their time to degree. The decision for the student success fee occurred during spring 2012 led by a student majority committee. The fees were first implemented fall 2012 and he stated he is pleased to report that in two years his campus four-year graduation rate increased from 37 percent to 46 percent and the five-year graduation rates increased from 63 percent to 73 percent. He attributed these improvements to increasing the availability of lecture and lab sections.

Trustee Faigin noted that of the twelve campuses with student success fees, none of them had a binding vote. He highlighted the fact that the student success fees have had positive impacts. However, he added that he would like to see a simple majority vote that would create a more student-driven process. He also urged for a more transparent process noting his concern about the potential use of fees in lieu of tuition. He proposed that the president and Chancellor sign off following the student vote, and that the Chancellor inform the Board chair. The Board chair can then determine if the fee needs to be brought before the full Board. He proposed that any new fee stay in effect for least six years. He also raised the concern of current fees and proposed that they be grandfathered in now but after six years students could decide to vote on changing those fees.

Chancellor White thanked the speakers and acknowledged that many of the items that these fees are supporting were previously paid for by the State. He went on to say that the CSU is comprised of 23 campuses spread throughout the State with diverse opportunities, economies and student bodies. The CSU cannot expect every campus to face identical needs, nor opportunities. The Category II student success fees provide opportunities for campuses to invest in something meaningful for local communities allowing them to act where they otherwise cannot. The fees catalyze actions that the community perceives as critical, but unfunded. He concluded by stating that that the CSU must trust campus communities to act when appropriate and indicated that the group would report back in January.

Trustee Stepanek stated that campuses with existing student success fees expressed concerns about policy changes that could impact the future collection of existing fees. He also stated a concern for fees that appear to be supplemental tuition.

Lt. Governor Newsom observed that these fees are essentially tuition and advocated for oversight of the fees and discussed concern for students who could not afford the fees. He suggested the full Board be involved in the creation of fees. He also stated his concern that fees do not contribute towards financial aid.

Trustee Day expressed that he was surprised to hear that all of the twelve campuses with fees did not have a binding vote and recommended a binding student vote.

Chancellor White stated that he believed it would be a shared decision by students, driven by the students, working with the campus president and senior administration to create a fee ultimately

resulting in a vote of eligible students. He stated that he would support discussing the proposed fee with the Board chair.

President Armstrong stated that he hoped that the board would avoid a situation where a campus and a group of students vote to support a fee and then it is overturned. He also suggested that a sunset clause occur at the time of the vote.

Trustee Glazer inquired as to the process going forward. Trustee Monville stated that staff would bring back an action item in January.

Trustee Eisen questioned how the success fees are accounted for and if there is record of how the fees are spent. Chancellor White stated that these dollars are used for what they are purported to be used for and are not comingled with the general fund. He stated that one recommendation is to create a website detailing how dollars are spent to allow for improved transparency and accountability.

Trustee Alexanian stated that if there is a binding student vote the board should not be allowed to change or modify a student-approved fee. She also agreed with Trustee Fagin's recommendation for the Chancellor to consult with the Board chair with regard to new fees.

**COMMITTEE ON FINANCE**

**Working Group on Category II Student Success Fee**

**Presentation By**

Timothy P. White
Chancellor

**Summary**

In response to the charge of the chair of the California State University Board of Trustees and the requirements of Section 89712 of the California Education Code, the findings and recommendations of the Working Group on Category II Student Success Fee will be presented as an action item.

**Working Group on Category II Student Success Fee Overview**

In June 2014, the chair of the Board of Trustees formed a Working Group on Category II Student Success Fee to study the role, process, and enactment of category II campus-based mandatory student success fees.

The working group was charged with studying and presenting findings on the process and history of this fee including its notification, accountability, and outcome reporting processes; impact on student success and affordability; and the inconsistency in its application across the 23-campus CSU system. A preliminary report on the membership of the working group, its charge, and the initial review of the fee process at the 12 campuses that have enacted student success fees was presented to the board at its September 2014 meeting.

When the governor signed SB 860, in June 2014, Chapter 34 amended Education Code Section 89712, to place a moratorium on approval of new California State University student success fees until January 1, 2016. The legislation further required the chancellor to conduct a review of student success fees during fiscal year 2014-2015 and make recommendations to the trustees on changes to the fee policy.

**Findings**

Various category II fees, often called “success fees” which began in 2008, are required for students to enroll and attend at 12 of the CSU campuses. These fees have often been enacted in response to significant reductions in state financial support to the CSU and individual campus needs. As a result of these funding cuts, administrators have turned to

these fees in their on-going good-faith efforts to provide the quality educational experiences students deserve. This working group applauds and supports the goals and intentions of the campus administrators in their efforts.

Success fees have been used in a number of ways, depending on each campus' decision. Some campuses have dedicated significant portions of the student success fee revenues for new technology, campus-wide WiFi, library hours, veteran services, career services, athletics and additional benefits for students that would otherwise be unfunded. At least one campus was very specific in rejecting any use of success fees for purposes that historically were sufficiently covered by tuition and state appropriation. Other campuses have used success-fee revenues to hire additional faculty, advisors, counselors and tutors, provide more courses and fund other educational needs traditionally supported in part by tuition and state appropriation.

In January 2011, Executive Order 1054 mandated fee structures and procedures that stated, "The policy presumes that a student fee referendum will be conducted before adjusting or establishing category II fees. The president, however, may waive the referendum requirement if he/she determines that a referendum is not the best mechanism to achieve appropriate and meaningful consultation."

Of the 12 campuses with success fees, two had referendums that the presidents pledged voluntarily to abide by, although one of those two allowed students to vote only if they attended alternative consultation meetings about the fee proposal. A third campus administration did not support a campus-wide referendum and a vote by the Student Fee Advisory Committee rejected the proposed fee. Despite the student rejection, the fee was imposed by the prior administration.

According to some administrators, "alternative consultation" meetings were used instead of student votes due to historically low turnout in campus voting. Other campuses relied on alternative consultation to educate and inform students as well as receive their input to finalize a recommendation to the president and chancellor.

Success fees have recently engendered controversy on some campuses, in the legislature (with the moratorium through 2015 on any new success fees), and among the public as exemplified by media coverage and negative editorial comments. Concerns have included increased fees being imposed on students who may already be struggling financially, lack of legitimacy in conducting student voting without restrictions, lack of transparency at some campuses regarding how funds from the success fees are allocated, and use of these funds for classroom purposes historically covered by tuition and state funding. Using success fees for classroom purposes historically covered by tuition and state funding may be cause for concern because a) decisions about the imposition of tuition are associated with category I

fees and are decided by the Board of Trustees and not others, and b) the governor's four-year budget plan for the CSU is clearly linked to an understanding of a moratorium on tuition increases.

**Recommendations**

The following resolution is presented for approval:

> **RESOLVED**, by the Board of Trustees of the California State University that, a binding student vote shall be taken on implementation of any proposed new student success fee. All students who are eligible to vote in student government elections shall be eligible to vote on such student success fee proposals. A rigorous consultation process shall be undertaken to inform and educate students on the uses, impact and cost of any proposed student success fee prior to the binding student vote. In the process of establishing new student success fees, and before the student vote occurs, it must be made clear to the students that if a portion of that fee is intended to support ongoing and/or long-term obligations, that portion of the fee will remain in place until the obligations are satisfied regardless of any subsequent vote to rescind the fee.
>
> **BE IT FURTHER RESOLVED**, all student success fees now in place shall remain unchanged, including any previously established increments. However, a campus that considers a net new addition to an existing student success fee shall proceed as described in the above paragraph. Any campus proposing a new student success fee or an increase not already scheduled to an existing student success fee will consult with the chancellor and must receive approval on the process that will be followed to obtain approval for the fee before proceeding. Student success fee proposals may not be brought before the student body more frequently than once per academic year,
>
> **BE IT FURTHER RESOLVED**, if the proposed student success fee is accepted by a simple majority of the students voting, imposition of the fee shall still be contingent on approval by the campus president and chancellor. If the proposed student success fee is for direct instructional purposes that historically were covered by tuition and state funding, then the chancellor shall consult with the chair of the Board of Trustees before final approval is granted,

**BE IT FURTHER RESOLVED**, newly enacted student success fees shall be in force for at least six years. Student success fees may be rescinded at any time after six years with another binding student vote wherein a simple majority of those students voting vote to rescind the fee. The campus decision to have a vote shall be made by the recognized student government. Rescission vote proposals may not be brought before the student body more frequently than once per academic year. If a vote to rescind passes, the chancellor, in consultation with the board chair and the president, shall ensure that no ongoing contractual or other obligation/liability exists which will remain unsatisfied if the student success fee is rescinded. If any such obligation(s) exist, that portion of the student success fee funding the obligation(s) shall remain in effect and the obligation(s) shall continue to be funded by the student success fee until the obligations are satisfied. No new contractual or other obligation which would be supported by the rescinded student success fee may be entered into following a vote to rescind the fee. In the process of reconsidering a student success fee, and before the student vote occurs, it must be made clear to the students that if a portion of that fee is intended to support ongoing obligations, that portion of the fee will remain in place until such time as the obligations are satisfied,

**BE IT FURTHER RESOLVED**, existing student success fees as of the date this resolution is adopted may also be rescinded by a binding student vote under the same procedures described above for rescinding a fee, but no such student vote may be held until after January 1, 2021. If a vote to rescind passes, the chancellor, in consultation with the board chair and the president, shall ensure there are no ongoing, contractual or other obligations which will remain unsatisfied if the student success fee is rescinded. If any such obligations exist, that portion of the student success fee funding the obligations shall remain in effect and the obligations shall continue to be funded by the student success fee until the obligations are satisfied. No new contractual or other obligations which would be supported by the rescinded student success fee may be entered into following a vote to rescind the fee,

**BE IT FURTHER RESOLVED**, each campus shall be required to have a transparent, online accountability protocol that clarifies the decision process and allocation of student success fees, with annual reporting to the Chancellor and public by October 15. All campuses shall be held to this standard for any existing

and new student success fees imposed in the future. In addition, all campus advisory groups that recommend or make final decisions on student success fee allocations shall include majority student representation.

## COMMITTEE ON FINANCE

**Policy on Voluntary Statewide Student Involvement and Representation Fee (SIRF)**

**Presentation By**

Devon Graves
Chair of the Board
California State Student Association

Miles J. Nevin
Executive Director
California State Student Association

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

**Summary**

The California State Student Association (CSSA) is the recognized statewide student organization for California State University students. CSSA currently relies on funding from two primary sources: a portion of Student Body Association dues collected from campus Associated Students, and an annual funding augmentation from the Chancellor's Office. These funds have supported student participation in campus and system level decision-making, but current funding levels limit broad student participation across the system, state, and nationally.

In an effort to expand opportunities for student involvement and representation on issues of importance, CSSA is seeking long-term, direct funding through the implementation of a voluntary Student Involvement and Representation Fee (SIRF). The proposal recommends a voluntary $2 assessment to be included in each regularly enrolled student's list of charges in both the fall and spring terms ($4 per year). Students electing not to pay the fee will have a clear and unambiguous means to do so each time it is assessed.

This proposal was considered as an information item at the March 25, 2014 Committee on Finance meeting. That proposal came after a formal request of, and action item by, the CSSA Board of Directors, comprising official representatives of the 23 Associated Students organizations. Following that meeting, CSSA and the Chancellor's Office have worked together to further consult with Associated Students leaders, communicate with the broader CSU student population, identify a specific process for implementation, and clarify the Board of Trustees'

authority regarding fees through the Education Code.

**CSSA Background**

The CSSA was founded in 1958 as the California State College Student President's Association (CSCSPA). In 1979, the organization renamed itself to the California State Student Association. CSSA was established by the campus associated student body organizations so that students would have a formal and effective means for participating in the formulation of systemwide, state, and national policies that have, or may have, an effect on students. The CSSA, or its successor, is recognized as the official representative of the students of the CSU before the Board of Trustees and the Chancellor's Office. CSSA provides a collective voice for CSU students to the state government, the CSU system, and other state boards and commissions. CSSA also coordinates student involvement in federal higher education matters. CSSA student leaders are part of the CSU shared leadership process; they contribute during the CSU's decision-making process and are vital to the well-being and life of the university. In 2001, the trustees adopted the Student Participation in Policy Development (SPPD) statement developed by the CSU Advisory Committee on Student Participation in Policy Development. The statement established CSSA responsibility in both local and system policymaking processes.

**Justification**

CSSA is positioned to positively impact the future of the CSU system. The SPPD calls on the CSU system to make greater strides toward student participation in policy development in order to enhance institutional effectiveness and responsiveness to student needs. Currently, CSSA is dependent on a voluntary portion of membership fees collected by the 23 local student associations that has, in recent years, been augmented by an annual allocation from the Chancellor's Office. However, to ensure the broadest possible participation of students in policy development, CSSA should have revenue that supports the long-term financial stability of the organization.

Through authorization of a voluntary student fee, the trustees would create a long-term, stable, and more predictable revenue stream to implement fully the student participation responsibilities outlined in the SPPD, enable the association to establish a higher degree of financial independence from the CSU system, and would allow students the individual choice to contribute financially to statewide student representation.

**Purpose For and Use of Funds**

Revenue from the fee will be used to ensure that students are able to meaningfully fund the activities of the CSSA and thereby ensure the overall ability of students to participate in policy

development and higher education initiatives at the system, state, and national levels. Revenue from the fee will provide additional funding support for the development of student policy recommendations, participation in system, state, and national governance, involvement in leadership development activities, and program support through student and professional staff administration.

Because CSSA is an independent, not-for-profit organization governed by Associated Students leaders, all programmatic objectives and budget decisions are democratically determined by its board of directors, with input from institutional stakeholders. Although final decisions on use of funds have yet to be determined, CSSA has developed comprehensive initial proposals on use of funds based on proportional expansion of current programmatic priorities and introduction of new priorities.

**CSU Authority and Oversight**

In May 2010, the Board of Trustees adopted the "CSU Fee Policy," which incorporated the earlier document, established categories of fees and specified which entity has authority over each category. Pursuant to these policies, the board retains unto itself the authority to establish fees charged at the same rate to every enrolled student at each university throughout the system. Additionally, the Education Code authorizes the trustees to establish "voluntary fees." Because the code language was ambiguous with regard to the trustees' authority on systemwide voluntary fees, the CSU sponsored legislation in the most recent legislative session to clarify that provision. As reported by Assistant Vice Chancellor for Advocacy and State Relations, Karen Y. Zamarripa at the September 2014 meeting of the Committee on Government Relations, that bill - AB 2736, was signed by the Governor in late September 2014. The enactment of AB 2736 resulted in the amendment of Education Code Section 89300 which now states under subjection (d): The trustees may fix a fee for voluntary membership in a statewide student organization that represents the students of the California State University and the student body organizations of the campuses of the California State University. The trustees shall provide students either the ability to affirmatively elect to pay this fee, or a clear and unambiguous means to decline the payment of this fee, each time the fee is assessed."

This amended section clearly outlines the trustees' authority in recognizing the statewide student association and establishing a voluntary fee for its use. This section does not apply to any other fee category in the CSU, and therefore cannot be used to establish precedence for the processes or provisions that apply to other fees.

In order to maintain a level of accountability and oversight from the Chancellor's Office, this item proposes that the revenue from these new voluntary fees be held in a trust fund account - the

Student Involvement and Representation Fund - at the system budget office. Activities within this fund will be subject to an annual independent fiscal audit.

This proposal allows adjustments to the fee in consideration with the annual percentage change in the Higher Education Price Index (HEPI) and in consideration of a revenue and expenditure plan for the adjusted fee. Authority over said adjustments shall be held by the chancellor in consultation with the CSSA. Any decision to adjust the fee shall be reported to the Board of Trustees prior to its scheduled adjustment.

**Fiscal Impact and Efforts to Mitigate Impact on Students**

The fiscal impact of this policy on the overall cost of attendance is neutral to modest. Any student, including those with financial need, may elect to not pay the fee. Implementation of the fee could result in a cost savings for the CSU system and campus Associated Students organizations, as funds currently provided by both in support of CSSA student participation could be decreased or eliminated. Development of the administrative procedures necessary to manage the voluntary nature of this systemwide fee may require modest increases to student financial services staff workloads.

**Recommendation**

The following resolution is presented for approval:

> **RESOLVED**, by the Board of Trustees of the California State University that, the trustees act to implement the voluntary Student Involvement and Representation Fee (SIRF) at a rate of $2 per term. Collection of the fee shall occur twice annually in the fall and spring academic terms. The fee assessment shall commence in the fall of 2015. Each time the fee is assessed, students will be provided a clear and unambiguous means to decline the payment of the fee.

## COMMITTEE ON FINANCE

**Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University Channel Islands and California State Polytechnic University, Pomona**

**Presentation By**

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

**Background**

The Systemwide Revenue Bond (SRB) program provides capital financing for projects of the California State University – student housing, parking, student union, health center, continuing education facilities, certain auxiliary projects, and other projects approved by the CSU Board of Trustees. Revenues from these programs are used to meet operational requirements for the projects and are used to pay debt service on the bonds issued to finance the projects. The strength of the SRB program is its consolidated pledge of gross revenues to the bondholders, which has improved credit ratings and reduced the CSU's cost of capital. Prior to issuance of bonds, projects are funded through bond anticipation notes (BANs) issued by the CSU in support of the CSU's commercial paper (CP) program. The BANs are provided to the CSU Institute, a recognized systemwide auxiliary organization, to secure the CSU Institute's issuance of CP, proceeds from which are used to fund the projects. CP notes provide financing flexibility and lower short-term borrowing costs. Proceeds from the issuance of bonds are used to retire outstanding CP and provide any additional funding not previously covered by CP.

**Summary**

This item requests the Board of Trustees to authorize the issuance of long term SRB financing and the issuance of BANs to support interim financing under the CP program in an aggregate amount not-to-exceed $51,060,000 to provide financing for two campus projects. The board is being asked to approve resolutions related to these financings. Long-term bonds will be part of a future SRB sale and are expected to bear the same ratings from Moody's Investors Service and Standard & Poor's as the existing SRBs.

The financing projects are as follows:

**1. California State University Channel Islands Dining Commons Expansion Project**

The California State University Channel Islands Dining Commons Expansion project is being presented to the board for the amendment of the Non-State Capital Outlay program and schematics during the January 2015 Committee on Campus Planning, Buildings and Grounds meeting. The project consists of the renovation of the existing dining facility (approximately 19,500 gross square feet), remodeling of the kitchen preparation space, cooking space, and loading dock, and improvements to infrastructure. The project will also provide a new entry pavilion of approximately 1,760 gross square feet. The facility will be located in the south quad of the campus. The facility will serve the entire campus community and meet the needs of additional housing students due to the student housing phase III project which was approved by the board at the November 2014 meeting.

The not-to-exceed par value of the proposed bonds is $12,420,000 and is based on a total project budget of $11,706,000 with a program reserve contribution of $750,000. Additional net financing costs, such as capitalized interest and cost of issuance (estimated at $1,464,000), are expected to be funded from bond proceeds. The project is scheduled to start construction in July 2015 with completion in July 2016.

The following table summarizes key information about this financing transaction.

| | |
|---|---|
| Not-to-exceed amount | $12,420,000 |
| Amortization | Approximately level over 30 years |
| Projected maximum annual debt service | $853,136 |
| Projected debt service coverage including the new project:<br>Net revenue – Channel Islands pledged revenue programs: [1]<br>Net revenue – Projected for the campus housing program: | <br>1.37<br>1.32 |

1. Combines estimated 2013-2014 information for all campus' pledged revenue programs and projected 2017-2018 operations of the project with expected full debt service. Does not include any debt, revenues or expenses related to the Channel Islands Site Authority.

The not-to-exceed amount for the project, the maximum annual debt service, and the ratios above are based on an all-in interest cost of 5.73 percent, reflective of adjusted market conditions plus 1.00 percent as a cushion 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 financial plan projects housing program net revenue debt service coverage of 1.32 in 2017-2018, the first full year of operations, which exceeds the CSU benchmark of 1.10 for the program. When combining the project with information for all campus pledged revenue programs, the campus' overall net revenue debt

service coverage for the first full year of operations is projected to be 1.37, which exceeds the CSU benchmark of 1.35 for the campus. Exceeding the benchmark is desirable.

**2. California State Polytechnic University, Pomona Parking Structure II Project**

The California State Polytechnic University, Pomona Parking Structure II project is being presented to the board for the amendment of the Non-State Capital Outlay program and schematics during the January 2015 Committee on Campus Planning, Buildings and Grounds meeting. The project is a new 1,825 parking space facility, which will replace 625 spaces of existing surface parking, providing a net gain of 1,200 parking spaces. The project is bounded by University Drive on the west and Collins Street on the south and will be next to the campus physical education fields and International Polytechnic High School.

The not-to-exceed par value of the proposed bonds is $38,640,000 and is based on a total project budget of $40,997,000 with a program reserve contribution of $6,000,000. Additional net financing costs, such as capitalized interest and cost of issuance (estimated at $3,643,000), are expected to be funded from bond proceeds. The project is scheduled to start construction in May 2015 with completion in September 2016.

The following table summarizes key information about this financing transaction.

| | |
|---|---|
| Not-to-exceed amount | $38,640,000 |
| Amortization | Approximately level over 25 years |
| Projected maximum annual debt service | $2,827,200 |
| Projected debt service coverage including the new project:<br>Net revenue – Pomona pledged revenue programs: [2]<br>Net revenue – Projected for the campus parking program: | <br>1.72<br>1.28 |

2. Combines estimated 2013-2014 information for all campus' pledged revenue programs and projected 2017-2018 operations of the project with expected full debt service.

The not-to-exceed amount for the project, the maximum annual debt service, and the ratios above are based on an all-in interest cost of 5.55 percent, reflective of adjusted market conditions plus 1.00 percent as a cushion 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 financial plan projects parking program net revenue debt service coverage of 1.28 in 2017-2018, the first full year of operations, which exceeds the CSU benchmark of 1.10 for the program. When combining the project with information for all campus pledged revenue programs, the campus' overall net revenue debt

service coverage for the first full year of operations is projected to be 1.72, which exceeds the CSU benchmark of 1.35 for the campus. Exceeding the benchmark is desirable.

**Trustee Resolutions and Recommended Action**

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the projects described in this agenda. 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/or the related or stand-alone sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds in an aggregate amount not-to-exceed $51,060,000 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 deputy assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the bond anticipation notes and the revenue bonds.

Approval of the financing resolutions for the project as described in this Agenda Item 3 of the Committee on Finance at the January 27-28, 2015, meeting of the CSU Board of Trustees is recommended for:

**California State University Channel Islands Dining Commons Expansion project**

**California State Polytechnic University, Pomona Parking Structure II project**

## COMMITTEE ON FINANCE

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

**Presentation By**

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

**Summary**

This agenda item requests the California State University Board of Trustees to authorize the issuance of long term Systemwide Revenue Bond (SRB) financing and the issuance of bond anticipation notes (BANs) to support interim financing under the CSU's commercial paper (CP) program in an aggregate amount not-to-exceed $180,000,000 to provide financing for a variety of critical capital outlay improvement projects. The board is also being asked to approve resolutions related to the financing for these projects. Long-term bonds will be part of one or more future SRB sale(s) and are expected to bear the same ratings from Moody's Investors Service and Standard & Poor's as the existing SRBs.

**Background**

As presented to the board in the Joint Committee on Finance and Campus Planning, Buildings and Grounds at the July, September, and November 2014 meetings, new capital financing authorities for the CSU were approved by the state legislature in June 2014. The legislation provides the CSU with the flexibility to utilize the new capital financing authorities through the CSU's existing SRB program, an established, well-rated, and well known debt program.

The SRB program has traditionally provided capital financing for revenue-generating projects of the CSU – student housing, parking, student union, health center, continuing education facilities, and certain auxiliary projects. Revenues from these programs are used to meet operational requirements for the projects and are used to pay debt service on the bonds issued to finance the projects. The strength of the SRB program is its consolidated pledge of these gross revenues to the bondholders, which has resulted in strong credit ratings and low borrowing costs for the CSU. Prior to issuance of long term bonds, some projects are funded through BANs issued by the CSU in support of the CSU's CP program. The BANs are provided to the CSU Institute, a recognized systemwide auxiliary organization, to secure the CSU Institute's issuance of CP, proceeds from which are used to fund the projects. CP notes provide greater financing flexibility

and lower short-term borrowing costs during project construction than would be available with long term bond financing. Proceeds from the issuance of bonds are then used to retire outstanding CP and provide any additional funding not previously covered by CP.

In November 2013, the board approved the State Funded Capital Outlay Program 2014/15 Priority List totaling $456.4 million and an updated list is presented as Attachment A.

**California State University Systemwide Infrastructure Improvements Group 1 Project**

This item requests the CSU Board of Trustees to authorize the issuance of long term SRB financing and the issuance of BANs to support interim financing under the CP program in an aggregate amount not-to-exceed $180,000,000 to provide financing for a number of deferred maintenance and critical capital improvement projects identified in Attachment A. The annual debt service on the long term financing for these projects will be met with the $10 million earmarked for deferred maintenance and critical infrastructure initially approved by the board in the final CSU 2014-2015 Support Budget. The final amount of debt to be issued will be determined based upon interest rates at the time long term bonds are sold and will be set at an amount so that the annual maximum debt service over the life of the debt issued for this group of projects will not exceed $10 million. Attachment A will serve as the basis to prioritize projects to be financed, and adjustments will be made to the final list of projects, particularly those that are near the margin, in order to maximize use of the limited financing resource.

The new capital financing authorities allow the CSU to pledge any of the CSU's revenues, including general fund, SRB gross revenues, and student tuition fees, to support the financing of capital projects under the new authorities. This financing approval will be supported by the existing pledge of SRB gross revenues, and not require additional revenues to be pledged. As of June 30, 2014, pledged revenues of the SRB program totaled approximately $1.6 billion and provided systemwide debt service coverage on existing SRB debt of 1.65, which exceeds the CSU systemwide minimum benchmark of 1.45. When adjusting for this financing request, the systemwide debt service coverage drops slightly to 1.63. In the future, this financing, as well as all other SRB debt will be further supported by additional pledge of revenues, as necessary.

**Trustee Resolutions and Recommended Actions**

Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the project described in this agenda item. 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/or the related or stand-alone sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds in an aggregate amount not-to-exceed $180,000,000 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 deputy assistant vice chancellor, Financing, Treasury, and Risk Management; 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.

In addition, the Board of Trustees is being requested to approve the following resolution:

**RESOLVED**, by the Board of Trustees of the California State University that:

1. $10,000,000 per year be set aside from its annual operating funds for the payment of debt service and direct project expenditures related to the funding of its capital improvement program noted in Attachment A.

2. The chancellor is authorized to make adjustments in the projects to be financed as noted in Attachment A as necessary to maximize use of the limited financing resource.

Approval of the financing resolutions described in this Agenda Item 4 of the Committee on Finance at the January 27-28, 2015, meeting of the CSU Board of Trustees is recommended.

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# CSU/State Funded Capital Outlay Program 2014/15 Priority List*

*Cost Estimates are at Engineering News Record California Construction Cost Index 6151 and Equipment Price Index 3202*

| Rank Order | Cate-gory | Campus | Project Title | FTE | | Total Request | Funds to Complete | Cumulative Amount | Enacted 2014/15 State Budget | Proposed CSU Funding |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | IA | Fresno | Electrical Infrastructure Upgrade | *N/A* | wC | 30,000,000 | 0 | 30,000,000 | | 30,000,000 |
| 2 | IA | Statewide | Infrastructure Improvements | *0* | PWC | 300,000,000 | 0 | 330,000,000 | | 103,674,000 ** |
| 3 | IA | Statewide | Minor Capital Outlay | *0* | PWC | 50,000,000 | 0 | 380,000,000 | | |
| 4 | IA | Statewide | Mitigation of Off-Campus Impacts | *0* | PWC | 1,400,000 | 0 | 381,400,000 | | |
| 5 | II | Monterey Bay | Academic Building II | *N/A* | E | 1,965,000 | 0 | 383,365,000 | 1,965,000 | |
| 6 | II | Chico | Taylor II Replacement Building | *N/A* | E | 2,740,000 | 0 | 386,105,000 | 2,740,000 | |
| 7 | IA | East Bay | Warren Hall Replacement Building | *N/A* | E | 1,061,000 | 0 | 387,166,000 | 1,061,000 | |
| 8 | IA | Humboldt | Seismic Upgrade, Library | *N/A* | PWC | 5,136,000 | 0 | 392,302,000 | | 5,447,000 |
| 9 | IA | Los Angeles | Seismic Upgrade, State Playhouse Theatre | *N/A* | PWC | 1,156,000 | 0 | 393,458,000 | | 1,156,000 |
| 10 | IA | Humboldt | Seismic Upgrade, Van Duzer Theatre | *N/A* | PWC | 7,604,000 | 0 | 401,062,000 | | 7,604,000 |
| 11 | IB | Bakersfield | Faculty Towers Replacement Building (Seismic) | *N/A* | P | 610,000 | 20,708,000 | 401,672,000 | | 7,540,000 |
| 12 | IB | Los Angeles | Utilities Infrastructure | *N/A* | P | 1,097,000 | 29,831,000 | 402,769,000 | | 30,928,000 |
| 13 | IB | Long Beach | Utilities Infrastructure Improvements ◊ | *N/A* | P | 860,000 | 26,823,000 | 403,629,000 | | 27,683,000 |
| 14 | IB | San Diego | Utilities Upgrade, Phase IA | *N/A* | P | 1,728,000 | 50,520,000 | 405,357,000 | | |
| 15 | IB | San Bernardino | Utilities Infrastructure | *N/A* | PW | 2,325,000 | 30,953,000 | 407,682,000 | | |
| 16 | IB | Monterey Bay | Infrastructure Improvements, Phase II | *N/A* | PW | 1,919,000 | 34,813,000 | 409,601,000 | | |
| 17 | IB | San Francisco | Creative Arts Replacement Building ◊ | *1,296* | P | 1,704,000 | 42,652,000 | 411,305,000 | | |
| 18 | IB | Sacramento | Science II Replacement Bldg, Phase II ◊ | *-1,583* | PW | 4,558,000 | 82,445,000 | 415,863,000 | | |
| 19 | IB | San Diego | IVC North Classroom Building Renovation | *N/A* | PWC | 1,306,000 | 0 | 417,169,000 | | |
| 20 | IB | Dominguez Hills | Cain Library Renovation (Seismic) | *N/A* | P | 1,420,000 | 40,001,000 | 418,589,000 | | |
| 21 | IB | Fullerton | Physical Services Complex Replacement | *N/A* | P | 761,000 | 28,634,000 | 419,350,000 | | |
| 22 | IB | Humboldt | Jenkins Hall Renovation | *15* | P | 312,000 | 9,188,000 | 419,662,000 | | |
| 23 | II | Channel Islands | Chaparral Hall Art Classrooms/Laboratory | *294* | P | 899,000 | 24,548,000 | 420,561,000 | | |
| 24 | IB | East Bay | Library Renovation (Seismic) | *N/A* | P | 1,584,000 | 49,802,000 | 422,145,000 | | |
| 25 | IB | Chico | Siskiyou II Science Replacement Building | *31* | P | 2,445,000 | 79,068,000 | 424,590,000 | | |
| 26 | II | Sonoma | Professional Schools Building | *513* | P | 1,081,000 | 38,893,000 | 425,671,000 | | |
| 27 | II | Maritime | Learning Commons/Library Addition | *N/A* | P | 779,000 | 24,606,000 | 426,450,000 | | |
| 28 | IB | San José | Nursing Building Renovation | *155* | P | 456,000 | 15,594,000 | 426,906,000 | | |
| 29 | II | San Luis Obispo | Academic Center/Library ◊ | *401* | P | 1,683,000 | 92,476,000 | 428,589,000 | | |
| 30 | IB | Stanislaus | Library Renovation (Seismic) | *-15* | P | 1,432,000 | 48,237,000 | 430,021,000 | | |
| 31 | IB | Northridge | Sierra Hall Renovation | *N/A* | PW | 3,998,000 | 60,091,000 | 434,019,000 | | |
| 32 | IB | Pomona | Electrical Upgrade | *N/A* | PWC | 22,369,000 | 0 | 456,388,000 | | |
| | | | **Total** | ***1,107*** | | **$ 456,388,000** | **$ 829,883,000** | **$ 456,388,000** | **$ 5,766,000** | **$ 214,032,000** |

Categories: I Existing Facilities/Infrastructure
A. Critical Infrastructure Deficiencies
B. Modernization/Renovation
II New Facilities/Infrastructure

◊ This project is dependent upon state and non-state funding.

P = Preliminary plans w = Partial working drawings W = Working drawings C = Construction E = Equipment

* This priority list has been revised from the list approved by the board in November 2013 to reflect the scope reduction for the Bakersfield Faculty Towers Replacement Building.

** See project list for Infrastructure Improvements on Page 2.

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# CSU Infrastructure Improvements Capital Outlay Program 2014/15

*Cost Estimates are at Engineering News Record California Construction Cost Index 6151 and Equipment Price Index 3202*

| Rank Order | Campus | Project Title | Phase | CSU Funded | Funds to Complete | Cumulative Amount |
|---|---|---|---|---|---|---|
| 1 | Bakersfield | PE Building HVAC/Roof Replacement | C | 389,000 | 0 | 389,000 |
| 2 | Bakersfield | Nursing Building HVAC Replacement | PWC | 1,100,000 | 0 | 1,489,000 |
| 3 | Channel Islands | Steam Heating System Replacement | PWC | 240,000 | 0 | 1,729,000 |
| 4 | Channel Islands | Electrical Panel Upgrades | PWC | 301,000 | 0 | 2,030,000 |
| 5 | Channel Islands | Napa Hall Roof Replacement | PWC | 315,000 | 0 | 2,345,000 |
| 6 | Channel Islands | Lindero Hall Roof Replacement | PWC | 500,000 | 0 | 2,845,000 |
| 7 | Chico | Boiler Replacement, Ph. 1 | PWc | 3,383,000 | 1,621,000 | 6,228,000 |
| 8 | Dominguez Hills | Central Plant Cooling Tower Replacement, Ph. 1 | PWc | 1,859,000 | 191,000 | 8,087,000 |
| 9 | East Bay | Electrical Infrastructure Upgrade, Ph. 2B | PWc | 2,121,000 | 1,960,000 | 10,208,000 |
| 10 | Fresno | Gas, Sewer, and Storm Line Upgrade | PW | 283,000 | 3,696,000 | 10,491,000 |
| 11 | Fullerton | Chilled and Heating Hot Water Line Replacement | PWC | 2,582,000 | 0 | 13,073,000 |
| 12 | Fullerton | Library (Seismic) | PWC | 6,000,000 | 0 | 19,073,000 |
| 13 | Fullerton | Central Plant Chiller Upgrade Ph.1 | PWc | 1,689,000 | 3,947,000 | 20,762,000 |
| 14 | Humboldt | Switchgear Replacement | PWC | 1,500,000 | 0 | 22,262,000 |
| 15 | Humboldt | Fire Suppression System Replacement, Ph. 1 | PWC | 250,000 | 0 | 22,512,000 |
| 16 | Humboldt | Substation Replacement | PWC | 687,000 | 0 | 23,199,000 |
| 17 | Long Beach | Hot Water Piping Replacement, Ph. 1 | PWc | 3,560,000 | 5,013,000 | 26,759,000 |
| 18 | Long Beach | Electrical Substation and Switch Replacement | PWC | 1,865,000 | 0 | 28,624,000 |
| 19 | Los Angeles | Electrical Distribution Replacement, Ph. 1 | PWc | 4,818,000 | 2,937,000 | 33,442,000 |
| 20 | Los Angeles | Physical Sciences (Seismic), Ph. 1 | PWc | 10,000,000 | 10,000,000 | 43,442,000 |
| 21 | Maritime | Emergency Generator, Sim/Data Center | PWC | 246,000 | 0 | 43,688,000 |
| 22 | Maritime | Fire Alarm Upgrade | PWC | 89,000 | 0 | 43,777,000 |
| 23 | Maritime | Boiler Replacement, Ph. 1 | PWc | 170,000 | 467,000 | 43,947,000 |
| 24 | Monterey Bay | Demolition, Ph. 1 | PWC | 10,000,000 | 20,000,000 | 53,947,000 |
| 25 | Northridge | Heating System Replacement | PWc | 4,469,000 | 3,536,000 | 58,416,000 |
| 26 | Northridge | Building Electrical System Replacement | P | 242,000 | 1,500,000 | 58,658,000 |
| 27 | Northridge | Redundant Substation Upgrade | P | 198,000 | 1,500,000 | 58,856,000 |
| 28 | Pomona | Fire Alarm System Upgrade | PWC | 2,933,000 | 0 | 61,789,000 |
| 29 | Pomona | Domestic Water Line Upgrades, Ph. 1 | PWc | 1,367,000 | 1,579,000 | 63,156,000 |
| 30 | Sacramento | Underground Power Lines | PWC | 772,000 | 0 | 63,928,000 |
| 31 | Sacramento | Fire Alarm System Upgrades, Ph. 1 | PWC | 2,718,000 | 0 | 66,646,000 |
| 32 | Sacramento | Elevator Cylinder Replacements, Ph. 1 | PWC | 510,000 | 0 | 67,156,000 |
| 33 | Sacramento | Chiller Main Switch Replacements | PWC | 420,000 | 0 | 67,576,000 |
| 34 | San Bernardino | Performing Arts HVAC Replacement | PWC | 2,881,000 | 0 | 70,457,000 |
| 35 | San Diego | Engineering Roof/HVAC Replacement | PWC | 1,500,000 | 0 | 71,957,000 |
| 36 | San Diego | Love Library Roof/Elevator Replacement | PWC | 1,966,000 | 0 | 73,923,000 |
| 37 | San Diego | HVAC Controls Upgrade | PWC | 553,000 | 0 | 74,476,000 |
| 38 | San Diego | Page Pavilion Roof Replacement | PWC | 1,364,000 | 0 | 75,840,000 |
| 39 | San Diego | Music Building HVAC Replacement | PWC | 500,000 | 0 | 76,340,000 |
| 40 | San Francisco | Electrical Substation Replacement | PW | 500,000 | 3,780,000 | 76,840,000 |
| 41 | San Francisco | Science Building Repairs, Ph. 1 | PWC | 8,115,000 | 0 | 84,955,000 |
| 42 | San José | Duncan Hall Roof Replacement | PWC | 1,990,000 | 0 | 86,945,000 |
| 43 | San José | Duncan Hall Steam Line Upgrades | PWC | 691,000 | 0 | 87,636,000 |
| 44 | San José | Utilities Infrastructure, Ph. 1A | PWc | 2,545,000 | 4,830,000 | 90,181,000 |
| 45 | San Luis Obispo | Utilidor Access Upgrade | PWC | 500,000 | 0 | 90,681,000 |
| 46 | San Luis Obispo | Central Heating and Chilled Water System Repairs, Ph. 1 | PWc | 4,965,000 | 5,050,000 | 95,646,000 |
| 47 | San Marcos | Central Heating and Cooling Line Upgrades | PWC | 1,646,000 | 0 | 97,292,000 |
| 48 | Sonoma | Domestic Water Tank Replacement, Ph. 1 | PWc | 1,798,000 | 1,661,000 | 99,090,000 |
| 49 | Stanislaus | PE Gym Cooling Infrastructure | PWC | 3,000,000 | 0 | 102,090,000 |
| 50 | Stanislaus | PE Pool Repair and Infrastructure Upgrade, Ph. 1 | PWc | 1,584,000 | 464,000 | 103,674,000 |
| | | **Total** | | **$ 103,674,000** | **$ 73,732,000** | **$ 103,674,000** |

P = Preliminary plans W = Working drawings c = Partial construction C = Construction E = Equipment

## COMMITTEE ON FINANCE

**Approval of the Final Development Agreement for a Commercial Office Facility on Real Property at California State University, Bakersfield**

**Presentation By**

Horace Mitchell
President
California State University, Bakersfield

George V. Ashkar
Assistant Vice Chancellor/Controller
Financial Services

**Summary**

This agenda item requests final development agreement approval of a public-private partnership for the construction and operation of an approximately 282,000 square foot commercial office facility at California State University, Bakersfield.

**Background**

This project received conceptual approval by the California State University Board of Trustees in November 2006 for a public-private partnership to construct commercial office space on the CSU Bakersfield campus (RFIN 11-06-12). The office use was incorporated into the campus Master Plan at the September 2014 Board of Trustees meeting (RCPBG 09-14-13).

**Project Description**

The project ("University Office Park") consists of the construction of a new commercial office complex on approximately 12.5 acres of campus land located on Camino Media, west of what will become a northerly extension of Scarlet Oak Boulevard on the southwestern edge of the campus. This project will be developed in two phases. Phase I will include a 61,300 square foot building and 253 parking spaces built on 4.3 acres of land. The estimated cost to develop Phase I is approximately $10.4 million. Phase II will be built on the remaining 8.2 acres and will include two buildings totaling 220,700 square feet, with 591 surface parking spaces and a parking garage to accommodate 315 spaces. Because Gregory D. Bynum and Associates ("Developer") does not yet have sufficient tenant interest for the total development, Phase II will not be developed immediately. However, the Developer will pay $50,000 per year to the campus for up to five years to maintain the option to develop Phase II.

The project will be financed entirely by the Developer, which will have sole responsibility for the cost of construction and any ancillary costs associated with project development and operations. The Developer will manage and lease the project to future tenants. The interior tenant build-out will be constructed as needed for individual tenants and will be funded by the tenant or by the Developer. No state or trustee financing will be required. Debt will not be incurred by the CSU and will not be reflected on the CSU financial statements.

**Summary of Agreement Terms**

It is proposed that CSU enter into a ground lease with Gregory D. Bynum and Associates. The basic terms of the agreement are as follows:

- A 4.3 acre site (Phase I) will be leased, with a 5-year option for the remaining 8.2 acre site (Phase II).
- The initial term of the lease for Phase I will be 40 years with the opportunity for two successive 10-year extensions.
- Base rent for Phase I has been established at $131,000/year ($0.70 per square foot per year) for the initial 10-year period.
- The option payment for Phase II shall be $50,000/year and the option period shall not exceed 5 years.
- Should the option for Phase II be converted to a lease, the base rent for Phase II will be $212,000/year ($0.59 per square foot per year) for the initial 10-year period.
- Construction will include two new roads immediately adjacent to the project site.
- Rent escalation will occur every ten years from the Rent Commencement Date and will be increased at 20%. An optional appraisal may be exercised by either party in lieu of a 20% increase. If the appraisal option is selected, the base rent will not be less than the original base rent, nor more than if the base rent had been adjusted at a 20% increase.
- Future tenant improvement construction and costs are the responsibility of the Developer.
- All improvements revert to CSU Bakersfield upon expiration of the ground lease and any exercised options of the Developer. At the option of the university, the Developer shall demolish all structures and return the site to its original condition.

**Educational Benefits**

The project will provide significant benefits to CSU Bakersfield including:

- Educational benefits –The Developer will procure future tenants of the building that will have collaborative academic, business and research opportunities with the University. The Developer has also agreed to pursue future tenants that can provide internship opportunities for CSU Bakersfield students as well as employment

opportunities for its graduates. The University and the Developer will also explore education and training programs for student interns.

- Financial benefits – The long-term ground lease will return economic benefits to the University for many years that will be used to support academic programs.
- Infrastructure benefits – The infrastructure developed for the University Office Park will facilitate traffic circulation around campus through the extensions of Scarlet Oak Boulevard and the campus Loop Road. Additionally it will improve the walkable environment in this corridor of the campus.

**Recommendation**

The following resolution is presented for approval:

> **RESOLVED**, by the Board of Trustees of the California State University that the Trustees approve the development of the Commercial Office Facility at California State University, Bakersfield as described in Agenda Item 5 of the Committee on Finance at the January 27-28, 2015 and delegate to the chancellor, the executive vice chancellor and chief financial officer, and their designees' the authority to execute agreements necessary to implement the plan for this project.

**COMMITTEE ON FINANCE**

**Report on the 2015-2016 Support Budget**

**Presentation By**

Ryan Storm
Assistant Vice Chancellor
Budget

**Summary**

The fiscal outlook for the California economy and state government is positive. If current conditions hold, three separate forecasts conclude that the state's economy will continue to grow in calendar years 2015 and 2016. Additionally, it is anticipated that the major state tax revenues will also tick upward, resulting in opportunity for new investments, building reserves for future rainy days, and retiring state debt.

The 2015-2016 Governor's Budget identifies a $1.5 billion surplus for 2015-2016. This surplus is net of $5.3 billion of increased state expenditures between 2014-2015 and 2015-2016. Similar to last year's proposal, the budget plan proposes applying large portions of the surplus to aggressively retire state debt, deposit funds in the new rainy day fund (as approved by voters via Proposition 2 in November 2014) and to increase K-14 program spending. Smaller portions of that surplus are for programmatic investments concentrated in health, social services, trial courts, deferred maintenance, and higher education programs.

The governor's budget provides a $119.5 million state general fund increase for the California State University (CSU) support budget. This amount is consistent with the governor's multi-year funding plan first proposed and adopted in 2013-2014. Additionally, the governor's budget includes one-time funding for CSU deferred maintenance. Lastly, the proposal would continue new initiatives begun last year that require the CSU to prepare and adopt an academic sustainability plan and provide for a one-time award program for innovation in higher education.

**California Fiscal Outlook**

Since the November 2014 meeting of the trustees, three reputable entities released forecasts for the California's economy and the resulting effect on the state budget—the Legislative Analyst's California Fiscal Outlook in November 2014, the UCLA Anderson Forecast in December 2014, and the Department of Finance's 2015-2016 Governor's Budget in January 2015. If current conditions hold, all three entities conclude that the state's economy will continue to grow in calendar years 2015 and 2016. The associated growth in employment, real personal income, and

other factors is expected to yield greater tax receipts in each of the "Big Three" state revenue categories—personal income tax, sales tax, and corporate tax. In turn, those revenue increases would allow for increases in state program expenditures (like CSU), help pay down state debts, and help the state save for future rainy days.

**State Budget Overview**

The state's budget outlook has markedly changed in recent years. Only three years ago, the 2012-2013 Governor's Budget estimated a $9.2 billion budget shortfall and future annual budget deficits of up to $5 billion. Under the leadership of the governor, and with the assistance of many others, including the CSU and its many stakeholders, voters approved Proposition 30 in November 2012, which temporarily increased sales and personal income tax rates over a multi-year period (through end of calendar year 2016 and 2018, respectively). Additionally, voters approved Proposition 2 in November 2014, which required the state to annually pay down debts and save more money for future rainy days. A growing state economy and resulting additional state revenue, debt reduction, stronger rainy day savings requirements, and significant and permanent expenditure reductions made by the state have reversed the fiscal fortunes of California.

To illustrate California's positive fiscal trajectory, the Legislative Analyst's California Fiscal Outlook anticipates state revenues outpacing planned expenditures and a resulting $760 million state surplus in 2015-2016. Further, the Legislative Analyst reports that an additional $1.6 billion of the state's rainy day fund already credited toward 2014-2015 could be used for any purpose in 2015-2016. Combining these figures, the Legislative Analyst concludes that as much as $2.4 billion could be used for any discretionary purpose (including CSU) if state leaders choose this approach.

The release of the 2015-2016 Governor's Budget on January 9, 2015 revealed that the Department of Finance independently calculated and reported a $1.5 billion surplus for 2015-2016. This surplus is net of $5.3 billion of increased state expenditures between 2014-2015. The governor's budget estimates future annual revenue growth of approximately 4.5 percent through 2018-2019.

The budget proposal aligned the available additional revenues with the fiscal policy priorities of the governor's administration. Specifically, the largest expenditure increases would pay down the state's debt (as required by Proposition 2), meet Proposition 98 funding requirements for K-12 and community colleges, and transfer revenues to the newly established rainy day fund (also required by Proposition 2). The proposal would not use the $1.6 billion of the 2014-2015 state's rainy day fund for another purpose, as suggested by the Legislative Analyst. Other notable expenditures would include the expansion of Medi-Cal cost increases, various social service program increases, city and county state mandate payments, additional funding for trial courts, a

statewide deferred maintenance investment (including CSU and UC), and additional investments in the multi-year funding plan for higher education, which for CSU is $119.5 million.

**2015-2016 CSU Support Budget**

The budget proposal continues to make higher education a priority, although not at the level requested in the CSU budget plan approved by the trustees in November 2014. Below are elements of the 2015-2016 Governor's Budget proposal that would affect the CSU.

✓ *Appropriation Increase*

The $119.5 million state general fund augmentation is aligned with the multi-year funding plan for higher education that was first implemented in 2013-2014. This is the third year of the four-year funding commitment. Funding can be used for any CSU operational purpose and comes with the expectation that tuition rates will not change from 2011-2012 levels. The CSU appreciates the governor's fiscal commitment, his understanding that the CSU had to implement very difficult cuts during the challenging fiscal years, and his granting of fiscal flexibility contained within the augmentation, that will also allow the system to continue its recovery from prior reductions and address its most pressing needs.

However, the proposed funding is significantly short of the trustees' support budget request of $216.6 million state general fund—a $97.1 million difference that, if funded, would provide greater student opportunity, quality, and success at the CSU.

✓ *Capital Program*

The 2015-2016 Governor's Budget proposes no structural changes to the new capital financing authority incorporated into last year's state budget agreement. The funds that support debt service payments for all outstanding general obligation (GO) bond and state Public Works Board (SPWB) bond-funded projects remain folded into the CSU support budget. The "fold-in" of $297 million for GO and SPWB debt service would be augmented by $7.6 million to cover new SPWB debt service costs that will begin in 2015-2016. The governor's administration committed to the CSU to ramp up funding over a three-year period for capital projects that had been approved by the state but were not completed prior to the adoption of the new capital financing authority. The $7.6 million proposal would be cost neutral in the near term. As this debt is retired over time, the new capital financing authority provides the CSU the opportunity to retain the original $297 million and new $7.6 million indefinitely and to use more of those funds over time for infrastructure or other capital needs.

✓ *Deferred Maintenance*

The budget plan proposes one-time funding of $25 million to address the CSU's most urgent facility maintenance and utility infrastructure needs. Many other state program areas would

receive one-time funding for similar purposes. Last year, the governor's administration proposed one-time funding for deferred maintenance that was contingent on state revenues meeting a certain dollar threshold before funding would be released to CSU. Ultimately, that budget trigger was not pulled and one-time funding was not directed CSU's way. This year's deferred maintenance proposal does not contain a budget trigger.

✓ *Academic Sustainability Plan*

State law requires the CSU to report on a number of student success performance measures. Some examples include the number of students enrolled by different student categories, two-year and three-year graduation rates of community college transfer students, and the number of degree completions by varying student categories. The Budget Act of 2014 required the CSU, on a one-time basis, to prepare a multi-year plan that would establish annual goals for the performance measures and outline how assumed revenues and expenditures would sustain the plan. The trustees approved the plan at their November 2014 meeting. The 2015-2016 Governor's Budget would require the trustees to once again prepare and adopt an academic sustainability plan based on yet-to-be defined assumptions prescribed by the Department of Finance.

✓ *Awards for Innovation in Higher Education*

The Budget Act of 2014 included a one-time $50 million program administered by a new seven-member selection committee. A purpose of the program is to identify public colleges and universities that have particular success in: (1) bachelor's degree completion rates; (2) four-year graduation rates; and (3) easing transfer through the public higher education system and (4) recognizing learning that has occurred across the public higher education system or elsewhere. CSU, UC, and the community colleges were eligible to participate in the $50 million program. This year, the governor's budget proposes an additional, one-time $25 million that would place an emphasis on four-year graduation rates at CSU.

✓ *Lanterman Developmental Center Transfer to California State Polytechnic University, Pomona*

In 2010, the state announced the closing of the Department of Developmental Services, Lanterman Developmental Center. The property consists of 287 acres and 120 buildings and immediately adjoins part of Cal Poly Pomona property. The state offered the property to all state departments and CSU expressed an interest in the transfer of jurisdiction of the center to Cal Poly Pomona. The Governor's administration proposes the transfer of the property to the campus contingent on an agreement between the state and CSU that funding would not be sought for the operation, maintenance, and development of the property and that the CSU accommodate the needs of other state departments for a portion of the land in the area.

In some ways, the governor's budget provides similar treatment to the CSU and the UC. For each system, the budget (1) provides an augmentation of $119.5 million for support of each system;

(2) presumes tuition fee rates will remain at 2011-2012 levels for 2015-2016; (3) provides a one-time augmentation of $25 million for deferred maintenance projects within each system; and (4) requires both systems to prepare academic sustainability plans.

In other ways, the governor's budget does not provide similar treatment of the systems. For example, (1) UC would be prohibited from increasing its non-resident enrollments; and (2) CSU would be provided a one-time augmentation of $25 million to campuses that demonstrate innovations that promote completion of degrees within four years.

Leadership in both houses of the state legislature expressed strong interest in investing in the CSU. Generally, both houses aim to invest above and beyond the governor's proposed funding levels in such areas as funded student enrollment, deferred maintenance and infrastructure, additional course offerings and student support services, and financial incentives for improved time to degree.

It is, however, very early in the 2015-2016 state budget cycle and it will be several months before the Assembly and Senate craft their final budget proposals. Ahead are several months of legislative budget committee work that will include an evaluation of the CSU support budget request, the governor's January and revised May budget proposals, and a careful analysis of anticipated state revenues and balancing funding priorities for higher education with other areas of state government.

**Conclusion**

If approved by the legislature this budget proposal would allow the CSU to invest in minimal funded student enrollment increases, cover unavoidable mandatory CSU costs, such as employee health benefits, and fulfill commitments already made in collective bargaining. However, other significant trustee priorities would be significantly squeezed or fully jeopardized such as student success and completion initiatives, facility and information technology maintenance and infrastructure needs, and more appropriate levels of funded student enrollment.

Presuming that the state's positive economic prospects persist into the May revision, CSU staff commits to working with the governor and legislature through the budget process to ensure that the priorities outlined in the trustee-approved CSU support budget request are met by an appropriate level of state support.

## COMMITTEE ON FINANCE

**California State University Investment Authority, Policy, and Portfolio Review Initiative**

**Presentation By**

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

**Summary**

This item provides information regarding an initiative to review the legislative authority and policies governing the California State University's investments, as well as a review of the existing portfolio structure. The basic goal of the initiative is to explore ways in which the CSU might increase risk-appropriate investment earnings on its funds.

**Background**

The budgetary responsibility for the annual principal and interest on State General Obligation and State Public Works Board bonds that have been issued on behalf of the CSU have been shifted from the State to the CSU on a permanent basis beginning with fiscal year 2014-2015. Although the State increased the CSU's support budget to address this shift, this support budget augmentation is not sufficient to support new capital funding to address the CSU's deferred maintenance and critical infrastructure backlog. In order to appropriately address this backlog, the CSU must find new revenues to support new capital funding.

The CSU's challenge is to explore new revenue source opportunities that reduce the potential burden on the State's taxpayers or the CSU's students. One such opportunity is increasing investment earnings on CSU funds.

The CSU's existing investment pool, Systemwide Investment Fund Trust (SWIFT), was formed in 2007, following enabling legislation (Education Code Section 89724) that authorized the CSU to retain its student tuition fee revenue and invest those revenues in eligible investment securities listed in Government Code Section 16430. Gov. Code § 16430 is a list of high quality, low risk, fixed income securities and forms the basis for the CSU's investment policy. In 2008, the global, national, and state economies began to suffer significant downturns with an attendant reduction in state financial support for the CSU, forcing the CSU to use the SWIFT portfolio as a funding backstop for ongoing operations in the event of further reductions or delays in state support. This meant that the SWIFT was kept highly liquid for years, resulting in ongoing low investment

returns. In more recent years, short term fixed income portfolio returns have been low due to the ongoing effects of Federal Reserve policy, slow global economic growth, and low inflation.

**Investment Authority, Policy, and Portfolio Review**

Staff proposes to conduct a review of the existing legislation governing the CSU's investments and propose changes to that legislation in order to provide the CSU with greater investment flexibility and increased earnings on its existing base of funds. The goal is to provide the CSU with the same investment flexibility as the University of California, which has broader latitude in the types of investments it may choose when investing its funds, and which has been able to earn significantly higher returns than the CSU. This potential for additional revenues would have a meaningful impact on the CSU's ability to address a variety of needs, including its deferred maintenance and critical infrastructure backlog.

Along with possible legislative changes, staff will conduct a review of the CSU's investment policy and present appropriate amendments to the policy to the board for discussion and approval at a future meeting. Based upon any legislative and policy changes, staff would then work to restructure the CSU's investment portfolio to meet the CSU's needs.

## COMMITTEE ON FINANCE

**Implementation of Governmental Accounting Standards Board Statement No. 68−Accounting and Financial Reporting for Pensions−an amendment of Governmental Accounting Standards Board Statement No. 27**

**Presentation By**

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

George Ashkar
Assistant Vice Chancellor/Controller
Financial Services

**Summary**

As reported to the California State University Board of Trustees in previous meetings, Governmental Accounting Standards Board (GASB) Statement No. 68 Accounting and Financial Reporting for Pensions, issued in June 2012, significantly changes how pension liability is reported in the financial statements by state and local governments including the CSU and other public universities.

The new pronouncement, effective for fiscal year 2014-2015, requires each employer participating in a pension plan to recognize a proportionate share of the collective net unfunded liability of the pension plan on the face of the employer's financial statements. This is likely to result in a significant increase in liability and a significantly decrease in net position for the CSU, as it is likely to affect other public universities in a similar manner. In addition, the new pronouncement also requires each participating employer to report a proportionate share of the total pension expenses and deferred inflows of resources and deferred outflows of resources related to pension and provide other information in note disclosures. Prior to GASB 68, employers reported as a liability only the accumulated difference, if any, between the contractually required plan contributions and the contributions actually made by the employers.

There are multiple steps in the process as the CSU is reliant on both CalPERS and the State Controller's Office for information needed to implement GASB 68 as a state agency. Although we have been continually in contact with the State Controller's Office, due to the complexity of the project, no information is available yet at the time of drafting the agenda. We will continue to update the board on the progress.

**AGENDA**

**COMMITTEE ON COLLECTIVE BARGAINING**

**Meeting:** **8:05 a.m., Tuesday, January 27, 2015**
**Munitz Conference Room—Closed Session**

**11:15 a.m., Wednesday, January 28, 2015**
**Dumke Auditorium—Open Session**

Roberta Achtenberg, Chair
Debra S. Farar, Vice Chair
Rebecca D. Eisen
Lupe C. Garcia
Hugo N. Morales

**Closed Session – Munitz Conference Room**
Government Code §35969(d)

**Open Session−Dumke Auditorium**

**Consent Item**
Approval of the Minutes of the Meeting of November 12, 2014

**Discussion Items**
1. CSU/CSUEU, Unit 13 English Language Program Contract Ratification, *Action*
2. CSU/Union of American Physicians & Dentists Contract Ratification, *Action*

**MINUTES OF MEETING OF**
**COMMITTEE ON COLLECTIVE BARGAINING**

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

**November 12, 2014**

**Members Present**
Roberta Achtenberg, Chair
Debra S. Farar, Vice Chair
Rebecca D. Eisen
Lupe C. Garcia
Timothy P. White, Chancellor
Lou Monville, Chair of the Board

Chair Achtenberg called the Committee on Collective Bargaining to order.

**Approval of Minutes**

The minutes of the July 22, 2014 meeting were approved as submitted.

**Ratification of Five Tentative Agreements**

Vice Chancellor Lori Lamb presented the five tentative agreements to the Committee.

**Public Speakers**

The Committee heard from the following public speakers.

Pat Gantt, President of CSUEU, spoke in favor of ratification of the CSUEU Tentative Agreement. Mike Geck, CSUEU Vice President, indicated strong support among CSUEU membership for ratification. Loretta Seva'aetasi, CSUEU Vice President, supported ratification and urged increase use of in range progressions on individual campuses. CSUEU Chairs Tessy Reese, Mike Chavez, Reggie Keys, Rocky Sanchez, Rich McGee and Susan Smith all urged ratification and thanked the bargaining team members for their efforts. CSUEU Vice President of Representation Alisandra Brewer thanked Chancellor White and the CSUEU and CSU bargaining teams.

Andy Merrifield, Chair, CFA Bargaining Team, noted an improved climate during bargaining and emphasized the importance of maintaining benefits for employees. CFA President Lillian Taiz recognized the willingness of the University to address long term issues like lecturer pay

and faculty workload and indicated there is much more work to be done. She urged campuses to address faculty equity issues.

Prior to the Committee's voting on its action items, Trustee Day expressed his support for ratification of the Tentative Agreements on the Agenda.

**Action Items**

The committee then unanimously approved the following:

1. Ratification of Tentative Agreement with Bargaining Units 2, 5, 7 & 9 (California State University Employees Union)
2. Ratification of Tentative Agreement with Bargaining Unit 4 (Academic Professionals of California)
3. Ratification of Tentative Agreement with Bargaining Unit 6 (State Employees Trades Council)
4. Ratification of Tentative Agreement with Bargaining Unit 3 (California Faculty Association)
5. Ratification of Tentative Agreement with Bargaining Unit 10 (International Union of Operating Engineers)

Chair Achtenberg and Chancellor White expressed their appreciation for the progress made at the bargaining table which resulted in the ratification of each of these Collective Bargaining Agreements.

Chair Achtenberg then adjourned the meeting.

**TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY**

**California State University**
**Office of the Chancellor**
**Glenn S. Dumke Auditorium**
**401 Golden Shore**
**Long Beach, CA 90802**

**January 28, 2015**

***Presiding: Lou Monville, Chair***

**12:00 p.m. Board of Trustees** **Dumke Auditorium**

**Call to Order and Roll Call**

**Public Comment**

**Chair's Report**

**Report of the Academic Senate CSU:** ***Chair—Steven Filling***

**Report of the California State University Alumni Council:** ***President—Kristin Crellin***

**Report of the California State Student Association:** ***President—Devon Graves***

**Approval of Minutes of Board of Trustees' Meeting of November 13, 2014**

**Committee Reports**

**Committee on Institutional Advancement:** ***Chair—Steven Glazer***

1. Annual Report on Philanthropic Support for 2013-2014
2. Naming of a Facility−San Francisco State University

**Committee on Governmental Relations:** ***Chair—Douglas Faigin***

1. Federal Agenda for 2015
2. Statement of State Legislative Principles for 2015-2016
3. Sponsored State Legislative Program for 2015

**Committee on Audit:** ***Chair—Lupe C. Garcia***

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**Committee of Educational Policy:** ***Chair—Debra S. Farar***

**Committee on Organization and Rules:** ***Chair—Steven G. Stepanek***

**Committee on University and Faculty Personnel:** ***Chair−Lillian Kimbell***

1. Executive Compensation: Executive Vice Chancellor for Academic and Student Affairs
2. California State University Chancellor's Evaluation Policy

**Committee on Campus Planning, Buildings and Grounds:** ***Chair—J. Lawrence Norton***

1. Amend the 2014-2015 Non-State Funded Capital Outlay Program for California State University Channel Islands and California Polytechnic State University, San Luis Obispo
2. Certify the Final Environmental Impact Report and Approve the Campus Master Plan Revision, the Amendment of the 2014-2015 Non-State Capital Outlay Program and Schematic Plans for the Parking Structure II for California State Polytechnic University, Pomona
3. Approval of Amendment of the 2014-2015 Non-State Capital Outlay Program and Schematic Plans for University Office Park, Phase I for California State University, Bakersfield

**Committee on Finance:** ***Chair—Roberta Achtenberg***

1. Working Group on Category II Student Success Fee
2. Policy on Voluntary Statewide Student Involvement and Representation Fee (SIRF)
3. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University Channel Islands and California State Polytechnic University, Pomona
4. Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Systemwide Infrastructure Improvement Projects
5. Approval of the Final Development Agreement for a Commercial Office Facility on Real Property at California State University, Bakersfield

**Committee on Collective Bargaining:** ***Chair−Roberta Achtenberg***

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**MINUTES OF THE MEETING OF**
**BOARD OF TRUSTEES**

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

**November 13, 2014**

## Trustees Present

Lou Monville, Chair
Rebecca D. Eisen, Vice Chair
Roberta Achtenberg
Talar Alexanian
Kelsey Brewer
Adam Day
Douglas Faigin
Debra S. Farar
Margaret Fortune
Steven M. Glazer
Lillian Kimbell
J. Lawrence Norton
Steven G. Stepanek
Timothy P. White, Chancellor

## Public Comment

The board heard from several individuals during the public comment period. Pat Gantt, president, CSUEU, commended the board on their leadership and also challenged the board to get back to the master plan; Mike Geck, vice president CSUEU, thanked President Harrison and all of those who were involved in bringing custodial staff in house instead of contracting out at CSU, Northridge; Loretta Seva'aetasi, vice president CSUEU, spoke about outsourcing; Tessy Reese, chair, Bargaining Unit 2, spoke about the attention brought to Ebola and how better communication regarding health risks is needed; Mike Chavez, chair, Bargaining Unit 5, spoke about outsourcing jobs; Rocky Sanchez, vice chair, Bargaining Unit 7, asked that there be better communication to campus faculty and staff of any outbreaks that occur; Nicole Billington, ASI, chair spoke about student success fees.

**Approval of Minutes of Board of Trustees Meeting**

The minutes of the meeting of September 10, 2014 were approved.

**Board of Trustees**

**Conferral of the Title President Emeritus – Dr. J. Michael Ortiz (RBOT 11-14-11)**

Chair Monville moved the item. The Board of Trustees approved the following resolution:

> **WHEREAS**, Dr. J. Michael Ortiz was appointed as president of California State Polytechnic University, Pomona in 2003, and since that time has actively served in that position; and
>
> **WHEREAS**, during his tenure, Cal Poly Pomona has emphasized key issues, such as expanding student success programs, building support for timely graduation, committing to environmental sustainability, and increasing access for underrepresented students; and
>
> **WHEREAS**, Dr. Ortiz is a timeless champion for underrepresented students throughout the California State University system, helping the university expand its statewide Latino and Asian American Pacific Islander Initiatives; and
>
> **WHEREAS**, Dr. Ortiz has dedicated much of his 40 years of service in higher education to the California State University, with a previous role as provost and vice president for academic affairs at California State University, Fresno; and
>
> **WHEREAS,** Dr. Ortiz's service to the California State University has been influential to deliberations and decisions, so that this university may continue to serve the present and future good of the state and its people; and
>
> **WHEREAS,** it is fitting that the California State University recognize those members who have made demonstrable contributions to this public system of higher education and the people of California; now, therefore, be it
>
> **RESOLVED,** by the Board of Trustees of the California State University, that this board confers the title of President Emeritus on Dr. J. Michael Ortiz, with all the rights and privileges thereto.

**Conferral of the Title Executive Vice Chancellor/Chief Academic Officer Emeritus – Dr. Ephraim P. Smith (RBOT 11-14-12)**

Chair Monville moved the item. The Board of Trustees approved the following resolution:

**WHEREAS**, Dr. Ephraim P. Smith was appointed as executive vice chancellor and chief academic officer in 2010, and since that time has actively served in that position; and

**WHEREAS**, during his tenure, the California State University has undertaken several initiatives aimed at improving student access, success and completion; and

**WHEREAS**, Dr. Smith has played in integral role in many of the initiatives that benefit our current and future students, including the Associate Degree for Transfer, Early Start, the Graduation Initiative and CourseMatch; and

**WHEREAS**, Dr. Smith has dedicated nearly 25 years of service to the California State University with previous roles as vice president for academic affairs and dean of the School of Business and Economics at California State University, Fullerton; and

**WHEREAS,** Dr. Smith's service to the California State University has been influential to deliberations and decisions, so that this university may continue to serve the present and future good of the state and its people; and

**WHEREAS,** it is fitting that the California State University recognize those members who have made demonstrable contributions to this public system of higher education and the people of California; now, therefore, be it

**RESOLVED,** by the Board of Trustees of the California State University, that this board confers the title of Executive Vice Chancellor/Chief Academic Officer Emeritus on Dr. Ephraim P. Smith, with all the rights and privileges thereto.

**Committee Reports**

**Committee on Collective Bargaining**

Trustee Achtenberg reported the committee heard five action items, Ratification of Tentative Agreement with Bargaining Units 2, 5, 7 & 9 (California State University Employees Union); Ratification of Tentative Agreement with Bargaining Unit 4 (Academic Professionals of California); Ratification of Tentative Agreement with Bargaining Unit 6 (State Employees Trades Council); Ratification of Tentative Agreement with Bargaining Unit 3 (California Faculty Association); and the Ratification of Tentative Agreement with Bargaining Unit 10 (International Union of Operating Engineers). She also reported that the committee heard from Pat Gantt, president CSUEU; Mike Geck, Vice President CSUEU (San Marcos); Loretta Seva'aetasi, vice president (San Francisco), Tessy Reese, chair, Bargaining Unit 2; Mike Chavez, Bargaining Unit 5; Reggie Keys, Bargaining Unit 5; Rocky Sanchez, Bargaining Unit 7; Rich McGee Bargaining Unit 9; Susan Smith, Bargaining Unit 9; Alisandra Brewer, vice president, CSUEU; Andy Merrifield, chair CFA; and Lillian Taiz, CFA president.

**Committee on Governmental Relations**

Trustee Faigin reported the committee heard one information item, Legislative Update.

**Committee on Institutional Advancement**

Trustee Glazer reported the committee heard one information item, The Class of 3 million and one action item as follows:

**Naming of a Facility−California State Polytechnic University, Pomona**

Trustee Glazer moved the item. The Board of Trustees approved the following resolution:

**Naming of a Facility−California State Polytechnic University, Pomona (RIA 11-14-08)**

> **RESOLVED,** by the Board of Trustees of the California State University, that the College of Business Administration Classroom Building 163 at California State Polytechnic University, Pomona be named as Ronald W. Gregoire Hall.

**Committee on Educational Policy**

Trustee Farar reported the committee heard four information items, Associate Degrees for Transfer: SB 1440 Update; The California State University Graduation Initiative Update; Student Success and Completion Initiatives; and Preparing Educators for the Common Core State Standards.

**Joint Meeting of the Committees on Educational Policy and Finance**

Trustee Farar reported the committee heard one action item as follows:

**Approval of the Academic Sustainability Plan.**

Trustee Farar moved the item. The Board of Trustees approved the following resolution:

**Academic Sustainability Plan (REP/FIN 05-14-02)**

> **RESOLVED**, by the Board of Trustees of the California State University, that the Academic Sustainability Plan be approved; and be it further
>
> **RESOLVED**, that the Academic Sustainability Plan be submitted no later than November 30, 2014 to the Director of Finance, the chairpersons of the committees in each house of the Legislature that consider the state budget, the chairpersons of the budget subcommittees in each house of the Legislature that consider the budget of the California State University, the chairpersons of the committees in each house of the Legislature that

consider appropriations, and the chairpersons of the policy committees in each house of the Legislature with jurisdiction over bills relating to the University, as required by the Budget Act of 2014.

**Committee on Audit**

Trustee Garcia reported the committee heard two information items, Status Report on Current and Follow-Up Internal Audit Assignments and Status Report on the Implementation Plan for the Quality Assurance Review.

**Committee on Campus Planning Buildings and Grounds**

Trustee Norton reported the committee heard three action items as follow:

**Amend the 2014-2015 Non-State Funded Capital Outlay Program for California State University Channel Islands, California State University, Northridge, and California State Polytechnic University, Pomona (RCPBG 11-14-15)**

Trustee Norton moved the item. The Board of Trustees approved the following resolution:

> **RESOLVED,** by the Board of Trustees of the California State University, that the 2014-2015 non-state funded capital outlay program is amended to include:
> 1) $58,399,000 for preliminary plans, working drawings, construction and equipment for California State University Channel Islands Student Housing, Phase III;
> 2) $3,721,000 for preliminary plans, working drawings, construction, and equipment for California State University, Northridge Sustainability Center; and
> 3) $27,148,000 for preliminary plans, working drawings, construction and equipment for California State Polytechnic University, Pomona Innovation Village, Phase V.

**Approval of Schematic Plans for California State University Channel Islands, California State Polytechnic University, Pomona and California Polytechnic State University, San Luis Obispo (RCPBG 11-14-16)**

Trustee Norton moved the item. The Board of Trustees approved the following resolution:

1. **California State University Channel Islands—Student Housing, Phase III**
   **RESOLVED**, by the Board of Trustees of the California State University, that:
   1. The board finds that the September 1998 Master Plan Final EIR, July 2000 Final Supplemental EIR, and the September 2014 Addendum prepared for the California State University Channel Islands Student Housing, Phase III project have been prepared in accordance with the requirements of the California Environmental Quality Act.

2. The project before this board is consistent with the previously certified September 1998 Master Plan Final EIR and the July 2000 Final Supplemental EIR, as well as with the September 2014 Addendum prepared for the California State University Channel Islands Student Housing, Phase III project.
3. With the implementation of the mitigation measures set forth in the master plan previously approved by the Board of Trustees, the proposed project will not have a significant adverse effect on the environment beyond those described in the September 1998 Master Plan Final EIR and the July 2000 Final Supplemental EIR, and the project will benefit the California State University.
4. The schematic plans for the California State University Channel Islands Student Housing, Phase III are approved at a project cost of $58,399,000 at CCCI 6151.

**2. California State Polytechnic University, Pomona—Innovation Village, Phase V**

**RESOLVED**, by the Board of Trustees of the California State University, that:

1. The Final Initial Study/Mitigated Negative Declaration was prepared pursuant to the California Environmental Quality Act and State CEQA Guidelines.
2. The California State Polytechnic University, Pomona Innovation Village, Phase V project is consistent with the Final Mitigated Negative Declaration prepared and that the effects of the project were fully analyzed in the Final Mitigated Negative Declaration.
3. The schematic plans for the California State Polytechnic University, Pomona Innovation Village, Phase V are approved at a project cost of $27,148,000 at CCCI 6151.

**3. California Polytechnic State University, San Luis Obispo—Student Housing South**

**RESOLVED**, by the Board of Trustees of the California State University, that:

1. The Final Environmental Impact Report (Final EIR) for the California Polytechnic State University, Student Housing South project addressed the potential significant environmental impacts, mitigation measures, comments and responses to comments associated with approval of the Student Housing South project, and all discretionary actions related thereto. The Board of Trustees certified the Final EIR under CEQA and the project was approved in May 2014.
2. The schematic plans for California Polytechnic State University, San Luis Obispo, Student Housing South are approved at a project cost of $198,863,000 at CCCI 6077.

**Committee on University and Faculty Personnel**

Trustee Kimbell reported the committee heard two information items, Executive Transition and Vice Presidential Salary Annual Report; Compensation for Unrepresented Employees and two action items as follow:

**Executive Compensation: President – California State Polytechnic University, Pomona (RUFP 11-14-07)**

Trustee Kimbell moved the item; there was a second. The Board of Trustees approved the adoption of the following:

> **RESOLVED,** by the Board of Trustees of the California State University, that Dr. Soraya M. Coley shall receive a salary set at the annual rate of $292,000 effective the date of her appointment as president of California State Polytechnic University, Pomona. Dr. Coley shall occupy the official presidential residence located in Pomona, California, as a condition of her employment as president; and be it further
>
> **RESOLVED,** Dr. Coley shall receive additional benefits as cited in Item 1 of the Committee on University and Faculty Personnel at the November 12-13, 2014 meeting of the Board of Trustees.

**Compensation for Executives (RUFP 11-14-08)**

> **RESOLVED,** by the Board of Trustees of the California State University, that the individuals named in the salary tables cited in Item 4 of the Committee on University and Faculty Personnel at the November 12-13, 2014 meeting of the Board of Trustees shall receive the annual base salaries cited in the tables effective July 1, 2014 or the date of hire, as appropriate.

**Joint Meeting of the Committees on Finance and Campus Planning, Building and Grounds**

Trustee Achtenberg reported the committee heard one action item as follows:

**New Capital Financing Authority and Revisions to the California State University Policy for Financing Activities (RFIN/CPBG 11-14-01)**

Trustee Achtenberg moved the item, there was a second. The Board of Trustees approved the adoption of the following:

> **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.

**Committee on Finance**

Trustee Achtenberg reported the committee heard two information items, 2014-2015 Student Fee Report; Working Group on Category II Student Success Fee, and four action items as follow:

**Approval of the 2015-2016 Support Budget Request (RFIN 11-14-05)**

Trustee Achtenberg moved the item; there was a second. The Board of Trustees approved the adoption of the following:

**RESOLVED,** that the Board of Trustees of the California State University acknowledges and expresses its appreciation to the governor and legislature for their increased budget support; and be it further

**RESOLVED,** that the Board of Trustees understands there are numerous competing interests for budgetary support given the fiscal constraints and competing policy priorities under which California continues to operate; and be it further

**RESOLVED,** that the future of California and its economy rests on the success of the CSU in providing life-changing benefits to hundreds of thousands of students; and be it further

**RESOLVED,** by the Board of Trustees of the California State University that the 2015-2016 Support Budget Request is approved as submitted by the chancellor; and be it further

**RESOLVED,** that the chancellor is authorized to adjust and amend this budget to reflect changes in the assumptions upon which this budget is based, and that any changes made by the chancellor be communicated promptly to the trustees; and be it further

**RESOLVED,** that copies of this resolution be transmitted to the governor, to the director of the Department of Finance, and to the legislature**.**

**Approval of the 2015-2016 Lottery Revenue Budget (RFIN 11-14-06)**

Trustee Achtenberg moved the item; there was a second. The Board of Trustees approved the adoption of the following:

**RESOLVED,** by the Board of Trustees of the California State University, that the 2015-2016 lottery revenue budget totaling $49.1 million be approved for implementation by the chancellor, with the authorization to make transfers between components of the lottery revenue budget and to phase expenditures in accordance with receipt of lottery funds; and be it further

**RESOLVED**, that a portion of campus-based program allocations be used to support student financial aid for the trustee-approved Early Start program; and be it further

**RESOLVED,** that the chancellor is hereby granted authority to adjust the 2015-2016 lottery revenue budget approved by the Board of Trustees to the extent that receipts are greater or lesser than budgeted revenue to respond to opportunities or exigencies; and be it further

**RESOLVED,** that a report of the 2015-2016 lottery revenue budget receipts and expenditures be made to the Board of Trustees.

**Approval to Issue Trustees of the California State University, Systemwide Revenue Bonds and Related Debt Instruments for Projects at California State University Channel Islands and California Polytechnic State University, San Luis Obispo (RFIN 11-14-07)**

Trustee Achtenberg moved the item; there was a second. The Board of Trustees approved the adoption of the following:

Orrick, Herrington & Sutcliffe LLP, as bond counsel, prepared resolutions that were presented in Agenda Item 3 of the Committee on Finance at the November 12-13, 2014, meeting of the CSU Board of Trustees that authorize interim and permanent financing for projects at California State University Channel Islands (Student Housing Phase III) and at California Polytechnic State University, San Luis Obispo (Student Housing South).

1. Authorize the sale and issuance of Systemwide Revenue Bond Anticipation Notes and/or the related or stand-alone sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds in an aggregate amount not-to-exceed $299,045,000 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 acting deputy assistant vice chancellor, Financing, Treasury, and Risk Management; 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.

The resolutions will be implemented subject to receipt of good bids consistent with the projects' financing plans.

**Real Property Development Project at California State Polytechnic University, Pomona for Innovation Village Phase V, Commercial Office and Research Facility for Southern California Edison Company (RFIN 11-14-08)**

Trustee Achtenberg moved the item; there was a second. There was one abstention by Mr. Glazer. The Board of Trustees approved the adoption of the following:

> **RESOLVED,** By the Board of Trustees of the California State University that the Trustees approve the development of the Innovation Village Phase V Commercial Office and Research Facility at California State Polytechnic University, Pomona as described in Agenda Item 4 of the Committee on Finance at the November 12-13, 2014 meeting of the CSU Board of Trustees and delegate to the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, and their designees' the authority to execute agreements necessary to implement the plan for this project.

**Committee of the Whole**

Chair Monville reported the committee heard one information item, Title IX Compliance Update−Preventing, Addressing and Eliminating Sexual Violence on California State University Campuses.

**Report of the Academic Senate CSU**

CSU Academic Senate Chair, Steven Filling's complete report can be viewed online at the following URL:
http://www.calstate.edu/AcadSen/Records/Faculty_Trustee/documents/FacultyTrusteeReportonNov2014BOTmeeting.pdf

**Report of the California State University Alumni Council**

Alumni Council President, Kristin Crellin's complete report can be viewed online at the following URL: http://www.calstate.edu/alumni/council/bot/20141113.shtml

**Report from the California State Student Association**

CSSA President Sonya Soltani's complete report can be viewed online at the following URL:
http://www.csustudents.org/wp-content/uploads/public-documents/pdf/CSSA-Report_Nov-2014-BOT.pdf

**Chair’s Report**

Chair Monville's complete report can be viewed online at the following URL:
http://calstate.edu/BOT/chair-reports/nov2014.shtml

**Chancellor's Report**

Chancellor Timothy P. White’s complete report can be viewed online at the following URL:
http://www.calstate.edu/bot/chancellor-reports/141113.shtml