

AGENDA

JOINT COMMITTEE ON FINANCE AND ORGANIZATION AND RULES

Meeting: 4:15 p.m., Tuesday, November 17, 2020
Virtually via Teleconference

Committee on Finance

Jack McGrory, Chair
Peter J. Taylor, Vice Chair
Larry L. Adamson
Jane W. Carney
Wenda Fong
Maryana Khames
Krystal Raynes
Lateefah Simon

Committee on Organization and Rules

Larry L. Adamson, Chair
Adam Day, Vice Chair
Jean P. Firstenberg
Maryana Khames
Krystal Raynes
Christopher Steinhauser

Consent 1. Approval of Proposed Revision of Standing Orders – Delegation of Financing
Approval for Auxiliary Liquidity Loans, *Action*

AMENDED

Action Item

Agenda Item 1

November 17-18, 2020

Page 1 of 3

**JOINT COMMITTEE ON
FINANCE AND ORGANIZATION AND RULES**

**Approval of Proposed Revision of Standing Orders – Delegation of Financing Approval for
Auxiliary Liquidity Loans**

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

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

Summary

This item requests a revision to the California State University Board of Trustees' Standing Orders to increase authority delegated to the chancellor to approve, within certain parameters, auxiliary liquidity loans outside of the CSU's established Systemwide Revenue Bond and commercial paper programs. The proposed changes to the Standing Orders are noted in italics on page 1 of Attachment A.

Background

The Board of Trustees' CSU Policy for Financing Activities (RFIN/CPBG 11-14-01), as well as an executive order by the Chancellor pursuant to the CSU Policy for Financing Activities, stipulates that all borrowing by the CSU or any CSU auxiliaries shall be made through the CSU's established debt programs (e.g., the CSU's Systemwide Revenue Bond and commercial paper programs) and approved by the Board. The policy and executive order also recognize that there may be certain types of financing structures that are not well suited for the CSU's established debt programs. In such cases, the proposed financing structure shall be reviewed by the Chancellor's Office and then presented to the Board for approval.

By statute, the CSU is not allowed to borrow for liquidity or working capital—it may only borrow to finance capital projects. However, subject to Board policy, auxiliaries do have a legal ability to borrow for liquidity or working capital purposes under their own name. In cases where an auxiliary and the campus president determine that such borrowing would serve a compelling financial need, it would need to do so outside of the CSU's established debt programs, since such borrowing is not legally suitable for the CSU established debt programs. Under such circumstances, the proposed auxiliary borrowing would be submitted for review by the Chancellor's Office and presented to the Board for approval.

AMENDED

Finance/O&R

Agenda Item 1

November 17-18, 2020

Page 2 of 3

COVID-19 has put CSU auxiliaries under significant financial pressure, principally due to the loss of revenues to support ongoing operations. In addition to managing operating expenditures where possible and drawing upon existing cash and investment resources to manage through the financial difficulties, auxiliaries have explored borrowing funds from local banks and other lenders to increase liquid resources.

Proposed Revision in Authority Delegated to the Chancellor

Existing Standing Orders of the Board of Trustees includes delegation to the Chancellor for application, receipt and oversight of loans (Article II.g). Auxiliaries in the CSU system, with oversight from the respective campus president, may at some point determine they have a need for additional liquidity resources and choose to borrow from a bank for this purpose. Because there may be a need to act quickly to secure such liquidity resources, particularly in the current COVID-19 environment, this item requests a revision to the California State University Board of Trustees' Standing Orders to specify authority delegated to the chancellor to approve auxiliary liquidity borrowings outside of the CSU's established Systemwide Revenue Bond and commercial paper programs, subject to the following parameters:

- Maximum amount: \$40,000,000;
- Maximum length of any borrowing, loan, or line of credit: Ten years;
- All auxiliary liquidity loans will comply with all legal and CSU policy requirements;
- Final terms and conditions of any auxiliary borrowing agreement established under this delegated authority shall not contain any provisions that will have a material adverse impact upon the CSU's established debt programs or upon any financing already provided to such auxiliary through the CSU's established debt programs.

Notwithstanding this proposed addition to the standing orders, any auxiliary financing with issues or concerns will still be presented to the Board of Trustees for approval. Any auxiliary financings approved under this delegated authority will be reported to the Board of Trustees. The proposed changes to the Standing Orders are noted in italics on page 1 of Attachment A.

Recommendation

The following resolution is presented for approval:

RESOLVED, by the Board of Trustees of the California State University, that:

1. The revised Standing Orders as presented in Attachment A for this Agenda Item 1 of the November 17-18, 2020 joint meeting of the Committees on Finance and Organization and Rules are approved.

AMENDED

Finance/O&R

Agenda Item 1

November 17-18, 2020

Page 3 of 3

2. The revisions to the Standing Orders as presented in Attachment A for this Agenda Item 1 of the November 17-18, 2020 joint meeting of the Committees on Finance and Organization and Rules shall expire on November 18, 2023.
3. The reporting of all auxiliary liquidity financings approved by the chancellor under this delegation of authority by the Board of Trustees in the Standing Orders will be provided to the Board of Trustees at each meeting of the Board of Trustees.
4. The Board of Trustees finds that this action is not controversial and does not require further discussion beyond this November 17-18, 2020 meeting of the Board of Trustees, and therefore the advance notice requirements for amending the Standing Orders are hereby waived.

Proposed changes to the Standing Orders are shown in *italics* for added text. Only Sections I and II of the Standing Orders are included as no other changes to the remaining sections are proposed.

STANDING ORDERS OF THE BOARD OF TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY

I. PURPOSE

The Standing Orders delegate authority from the Board of Trustees to the chancellor and others within the California State University.

II. DELEGATION TO THE CHANCELLOR

The chancellor is the chief executive officer of the California State University and has authority and responsibility to take whatever actions are necessary, consistent with trustee policy and applicable law, for the appropriate functioning of the institution, which includes:

- a. Establishment and oversight of all academic programs.
- b. Issuance of degrees.
- c. Operation of educational opportunity programs.
- d. Resolution of claims, settlement of litigation, and discharge from accountability.
- e. Establishment of policies and procedures for acquisition or sale of services, facilities, materials, goods, supplies, and equipment with the authority to sign agreements.
- f. Development and oversight of the budget, including the capital outlay program, approval of capital outlay project scope, budget, schematic design, and authorization of debt financing for projects valued up to \$40 million; and approval of schematic design and authorization of debt financing for all remodels, parking structures and utilitarian projects, regardless of cost, unless the project requires an Environmental Impact Report or includes significant unavoidable environmental impacts.
- g. Application, receipt, and oversight of grants and loans, *including authorization of auxiliary liquidity loans, outside of established debt financing programs of the California State University, in amounts up to \$40 million, for up to ten years, provided that: a) all auxiliary liquidity loans will comply with all legal and CSU policy requirements; and b) no provisions of any auxiliary liquidity loan has a material adverse impact on the established debt financing programs of the California State University.*
- h. Deposit, control, investment, and expenditure of funds.
- i. Establishment and oversight of campus fees; establishment, adjustment, and oversight of systemwide fees.
- j. Oversight of construction and authority to sign all construction documents.

- k. Purchase, sale, and exchange of any interest in or use of real property.
- l. Approval of minor changes to campus master plans.
- m. Appointment of personnel, development, and enforcement of personnel programs and discipline and termination of personnel.
- n. Appointments to various boards and committees.
- o. Development of a legislative program.
- p. Acceptance of gifts.
- q. Permission to use the name of the CSU.
- r. Performance of all acts necessary to qualify for and receive benefits from the federal government.
- s. Oversight of the systemwide advancement program.

This list is not inclusive, and is not intended to limit the necessary actions of the chancellor as the chief executive officer of the institution. The chancellor may delegate his or her authority to others within the California State University. The chancellor may issue executive orders as are necessary or convenient to the performance of his or her office.

The chancellor shall regularly report to the Board of Trustees concerning the performance of his or her functions.