

MINUTES OF MEETING OF CSU INSTITUTE BOARD

Chancellor's Office
401 Golden Shore, 6th Floor, Rm. 639
Long Beach, CA

July 1, 2013
3:05 pm – 3:23 pm

Board Directors Present

1. Timothy P. White, Chair (via teleconference)
2. Ephraim P. Smith, Secretary
3. Benjamin F. Quillian, Treasurer
4. Garrett Ashley, Director
5. Gail Brooks, Director

Staff Present

1. George V. Ashkar, Assistant Vice Chancellor, Financial Services
2. Robert Eaton, Senior Director, Financing and Treasury
3. Jean Gill, Assistant Controller, Financial Services Accounting
4. Kelly Cox, Associate Director, Financial Services Accounting
5. Syrus En, Senior Financial Manager, Financing and Treasury

Treasurer Quillian called the meeting to order at 3:05 pm.

Minutes were taken by staff (Syrus En).

Approval of the Institute Board minutes of May 5, 2013 (action item)

Treasurer Quillian asked for a motion to approve the minutes from the Institute Board meeting on May 5, 2013. Director Ashley moved and Director Brooks seconded the motion. The minutes were approved unanimously.

Presentation of the Institute's FY 2013-14 budget (action item)

Robert Eaton presented an action item regarding the Institute's FY 2013-14 budget.

Eaton explained the breakdown of the three segments of the budget. The first segment Eaton addressed was the All Campus Projects comprised of campus projects under interim commercial paper financing that eventually will be retired by Systemwide Revenue Bonds, as well as projects financed through long-term commercial paper instead of Systemwide Revenue Bonds. Eaton noted that the segment is designed to run at breakeven, thus the reason for a \$1,000 budgeted net income. The second segment addressed was the Equipment Program where commercial paper proceeds are loaned to campuses and campus payments are made in accordance with the terms of loan agreements. Eaton explained that the interest rate on the loans charged to the campuses are fixed each year at a level expected to cover costs of the program, as well as any potential fluctuations in the underlying commercial paper rates. These two segments comprise much of the activities within the budget. The third segment relates to general funds of the Institute, which does not

generate meaningful operating revenues like the All Campus Projects and Equipment Program, and it includes contribution of funds to the Foundation.

Chancellor White asked about the large variance in the BAN interest recovery for FY 2012-13 and for the FY 2013-14 Budget. Eaton explained that the variances in BAN interest recovery for the respective fiscal years were due to varying levels in the commercial paper pipeline—in FY 2012-13, the low CP volume had contributed to lower than expected BAN interest recovery, while in the FY 2013-14 budget, higher CP volume is projected to result in higher BAN interest recovery.

Treasurer Quillian asked about the large deficit in the FY 2013-14 budget for the Equipment Program. Eaton explained that the deficit is based on a 1.30% rate buy down to 2.30% as a means to reduce campus loan payments by utilizing some of the surplus accumulated over the years. Chair White asked if the reduction in campus interest loan payments was done on a pro rata basis, which was confirmed by Eaton.

Treasurer Quillian asked for a motion to approve the Institute FY 2013-14 budget. Secretary Smith moved and Director Ashley seconded. The FY 2013-14 budget was approved unanimously.

Presentation of the renewal of the Institute's operating agreement (action item)

Robert Eaton presented an action item regarding the renewal of the Institute's operating agreement with the California State University Trustees.

Eaton explained the existing terms set forth in the agreement are the same except for the maturity dates in the renewal term, which changed to reflect an additional five (5) year term, from August 2013 to August 2018. Director Brooks questioned whether there were any concerns regarding the terms, which Eaton confirmed there were none. Chair White pointed out two minor typographical edits, which staff agreed to correct before execution of the final agreement.

Treasurer Quillian asked for a motion to approve the Institute agreement for another five years. Secretary Smith moved and Director Brooks seconded. The agreement was approved unanimously.

Presentation to approve Institute Board Officers (action item)

George Ashkar presented an action item regarding a Board requirement that the Treasurer and Secretary are elected to serve a one-year term.

Treasurer Quillian asked for a motion to approve the Treasurer and Secretary serving for one year terms. Director Brooks moved and Director Ashley seconded. The motion was approved unanimously.

Presentation of an update of the Institute's commercial paper program (information item)

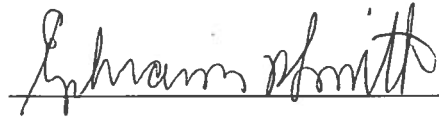
Robert Eaton presented an information item regarding an update of the Institute's commercial paper program (Program).

Eaton explained briefly that the Program's outstanding commercial paper balance increased to \$84 million from \$59 million (as stated in the agenda information item), based on that day's new-money CP issuance. With the new issuance,

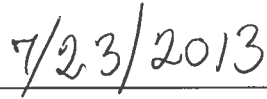
the weighted average rate of the portfolio also declined slightly from 0.15% (as stated in the agenda information item) to 0.14%.

Meeting was adjourned at 3:23 pm.

Respectfully submitted,



Ephraim P. Smith, Secretary



Date