

The Regents of the University of California

COMMITTEE ON FINANCE

June 17, 1999

The Committee on Finance met on the above date at UCSF-Laurel Heights, San Francisco.

Members present: Regents Atkinson, Bagley, Bustamante, Connerly, Davies, Hopkinson, S. Johnson, Khachigian, Lee, Miura, Parsky, and Willmon; Advisory member Taylor

In attendance: Regents Espinoza, Kozberg, Lansing, Montoya, Moores, Preuss, and Sayles, Regents-designate Pannor and Vining, Faculty Representatives Coleman and Dorr, Secretary Trivette, General Counsel Holst, Treasurer Small, Provost King, Senior Vice President Kennedy, Vice Presidents Broome, Darling, Gomes, Hershman, and Hopper, Chancellors Carnesale, Dynes, Greenwood, Orbach, Vanderhoef, and Yang, Provost Christ representing Chancellor Berdahl, Vice Chancellor Bainton representing Chancellor Bishop, Executive Vice Chancellor Lillyman representing Chancellor Cicerone, and Recording Secretary Nietfeld

The meeting convened at 1:40 p.m. with Committee Chair S. Johnson presiding.

1. REPORT ON THE FEDERAL BUDGET

Vice President Hershman presented a brief report on the State budget, noting that the Legislature had approved all of the Governor's proposals that were in the May Revision, which included all of the elements of the Regents' Budget. In addition, the Legislature has agreed to provide an additional \$58 million to the University from the State's general fund and \$9 million from the tobacco tax fund. The budget includes \$25 million to fund the University's core needs in the areas of maintenance, instructional technology, instructional equipment, and libraries. This core funding is believed to be a key element in any new partnership, or compact with the State. The University intends to request that the Governor support not only the core funding but also a plan to increase the budget in these areas over the next four years. In addition, the Legislature approved \$1.5 million for the California Digital Library and \$2 million for the University's graduate and professional school outreach efforts. Four million dollars has been allocated to support the development of on-line advanced placement courses.

President Atkinson pointed out that the development of on-line advanced placement courses is an outreach effort coordinated by the Santa Cruz campus. It will provide an opportunity for high school students throughout the state to have access to these courses.

Vice President Hershman continued that the Governor has the ability to veto items in the budget, and President Atkinson has written a letter to him discussing the importance of the items described above. He reported that the administration would return to the Board at the July meeting for

approval of amendments to the Regents' Budget. Mr. Hershman noted the good working relationship between the members of the Conference Committee, the legislative leadership, and the Governor's Office that was necessary to effect the State budget in a timely manner.

Regent Hopkinson asked about Regental involvement in the development of the University's compact with the State. Committee Chair Johnson noted that the Regents have the opportunity to discuss the budget at various times throughout the year. Vice President Hershman recalled that the administration had reported extensively on the previous compact concerning both resources and accountability. The basic principles of the new compact were discussed when the Regents' Budget was presented last October.

President Atkinson stressed that the Regents had been involved with defining the principles that were contained in the compact. The actual negotiations with the State involve not only the University of California but also the California State University and, indirectly, the community colleges. The University is in the process of discussing the nature of the accountability measures that might be contained in the new compact.

Chairman Davies requested that the administration provide the new Regents with background material on the development of the compact.

Regent Connerly observed that, because of the way in which the budget process is structured, the Regents are not really involved. The Regents adopt a spending plan which becomes the basis for The Regents' budget request to the Legislature and the Governor. The Board subsequently adopts a revenue plan based upon the funding provided by the State. He suggested that it would be worthwhile for the Regents to consider new options for their involvement with the budget process and the compact.

Vice President Hershman stressed that the basic principles behind the new compact had been communicated to the Regents on several occasions. The main change that resulted from discussions with the Regents was the effort to support core funding for maintenance, libraries, equipment, and technology. The prior compact agreed to fund salaries, benefits, other cost increases, and enrollment growth.

Regent Connerly pointed out that the University, as part of the compact with the State, is lowering fees in a time of economic prosperity, and that it tends to raise fees when the economy is bad. He did not believe that the Regents had been given sufficient opportunity to discuss such issues.

Vice President Hershman explained that the University had agreed to limit fee increases to no more than the growth in per capita income if the State were to provide sufficient funding for it to do so. If the Governor and the Legislature provide sufficient funding to buy out a fee increase, the

University is put in the position of either agreeing to do so or not accepting the funding. This is an historic dilemma which the University must face.

President Atkinson pointed out that the Regents have discussed student fees on numerous occasions over the past four years. Regent Connerly felt that the Regents had not been given sufficient opportunity to discuss the role of the Legislature in determining the fees. President Atkinson believed that the administration had not presented anything of substance to the Legislature without discussing it fully with the Regents.

In response to a question from Regent Montoya regarding year-round operations, Vice President Hershman reported that supplemental language in the budget bill asks the University of California and the California State University to perform a cost-benefit analysis to determine whether summer sessions should be expanded as one way to accommodate the expected 60,000 additional students. The administration will submit the results of this study to the Regents prior to presenting it to the Legislature by April 2000. The Legislature gave the University \$5.3 million to fund a reduction in fees for summer sessions in 1999-2000.

Regent Kozberg requested a briefing on the development of the on-line high school. She also suggested the need for a strategic planning process from a systemwide perspective. President Atkinson stated that he would provide Regent Kozberg with the material on the California virtual high school that was presented to the Regents by the Santa Cruz campus.

Regent Hopkinson requested a meeting separate from the regular Regents' agenda on the budget process and the Regents' role in that process. President Atkinson suggested that the Wednesday afternoon at the September meeting might be appropriate for such a session.

In response to questions from Regent Willmon, Mr. Hershman reported that the budget covers the full cost of additional enrollment that the University estimated during the May Revision to the budget, which was 5,500 more students in 1999-2000. Subsequent to that estimate, the administration has polled the campuses about their projected enrollment for fall 1999, and it appears that the numbers will be slightly higher, which means that between 500 and 1,000 students will not be funded. Student fees for 1999-2000 will be reduced by 5 percent.

Committee Chair Johnson noted that many Regents were concerned about the student-faculty ratio and raised the question of how the Regents can be assured that the administration is stressing this issue in its budget negotiations. Vice President Hershman responded that the student-faculty ratio is being discussed in the context of the compact, and the University is attempting to get a commitment from the State administration to support the restoration of a student-faculty ratio of 17.5 to 1.

Regent Preuss reiterated the fact that some Regents believe that there should be Regental involvement in the budget prior to its being finalized by the Office of the President in order to identify Regental priorities with respect to the allocation of funds.

Regent-designate Vining stressed that the University should be concerned about protecting the current student-faculty ratio in light of the expected enrollment growth which will occur over the next decade. Vice President Hershman noted that the issue facing the University's administration as it negotiates the compact is to preserve quality while growing at the projected rate.

Regent S. Johnson stated that she would discuss with President Atkinson how to frame a meeting to discuss budget priorities before looking at the Regents' Budget in October. President Atkinson responded that while the student-faculty ratio was his highest priority, the administration had not been able to convince the Legislature of its importance. Regent S. Johnson suggested that the Regents might be able to think of ways to express this priority better to the State's decision makers.

Turning to the federal budget, Vice President Hershman reported that the University receives over \$5 billion a year from the federal government. This figure includes \$2.7 billion for the Department of Energy Laboratories, over 50 percent of the funding for research and student loan programs, and one-third of the funding for the four teaching hospitals. Together, federal and State funds constitute two-thirds of University expenditures; the remainder consists of a number of other funds including hospital revenues other than federal and State funds, auxiliary enterprises revenues, and student fees.

Federal Medicare and Medicaid programs provide over 33 percent of the net operating revenue for the teaching hospitals. Under the Medicare program the hospitals receive \$80 million for direct and indirect medical education costs. By fiscal year 2002, if the provisions of the 1997 Budget Act directed at reducing federal Medicare costs remain unchanged, the hospitals could lose over \$18 million per year. In addition, proposals to limit inflationary adjustments to hospital Medicare reimbursement rates would cost the hospitals another \$20 million.

Medicare was the first to recognize medical education costs in its reimbursement rates. In 1996-97 the University worked with the State to develop a Medi-Cal program to recognize medical education costs related to services provided to Medi-Cal patients. The University receives over \$35 million related to this program and has an agreement to extend it for one year.

Mr. Hershman reported that the University receives over \$1 billion from all sources for student financial aid, about half in the form of scholarships and the other half in loans. Federal funds provide nearly all of the loan funding and approximately 25 percent of the scholarship funds. Another important source of federal aid to students and their families are education tax credits. When fully implemented, nearly 40 percent of UC students will qualify for these credits, which have

been approved by the President and the Congress. The University estimates the value of these tax credits at \$50 million per year.

Turning to research, Vice President Hershman discussed federal research expenditures for the University from 1982-83 through 1997-98. In the decade between 1983 and 1993 federal support for research grew dramatically, with expenditure increases averaging 10 percent. This growth rate slowed down in the mid-1990s to about 4 percent per year. In 1996-97, expenditures increased by 7 percent, and in the current year the increase is estimated at 7 percent.

In response to a question from Regent Lansing, Mr. Hershman explained that federal funding for medical research represents about half of total funding. Grants for medical research have grown at a higher rate than for other areas of research.

Vice President Hershman recalled that in 1996 the University's administration was predicting reductions in real dollar funding of as much as 33 percent in federal research funds over a seven-year period. Over the past two years, the administration has been more optimistic because of large increases to such programs as the National Institutes of Health and the National Science Foundation. Current projections for fiscal year 2000, however, are for decreases from the 1999 level of funding for overall research spending.

Vice President Darling discussed federal funding for research in more detail, noting that Congress appropriated \$5 billion more for research in fiscal year 1999 than it had intended in its 1998 Budget Resolution and \$11 billion more than it intended in the 1996 Congressional Budget Resolution. This outcome was made possible by a robust economic condition and the high priority placed on research by the President and Congress. A notable trend is an increase in the budget of the NIH from \$6 billion in 1998 to \$15 billion in 1999. Many members of Congress now believe that strong increases for the NIH in the past few years meet the current federal commitment to research.

Mr. Darling recalled the following statement made by Mr. Vannever Bush, who was President Roosevelt's science advisor, at the end of the Second World War:

“New products, new industries, and more jobs require continuous additions to knowledge....This essential, new knowledge can be obtained only through basic scientific research.”

Two years ago the Council of Economic Advisors, in its annual report to the President, reported that 50 percent of the growth in the economy since World War II was attributable to innovation resulting from research. This is particularly evident in California, which leads the nation in research and development. California has 12 percent of the nation's population, jobs, and gross domestic product and conducts 20 percent of the nation's R&D.

Mr. Darling noted that California's universities are at the forefront of research, with the University of California receiving more federal research funding than any other American university. California also educates the greatest number of science and engineering graduate students.

Referring to the fiscal year 2000 budget, Vice President Darling mentioned some of the constraints on funding for research, which competes within the 30 percent of the federal budget designated for discretionary funding. The other 70 percent is mandatory spending for welfare, Social Security, Medicare, and payments for the national debt. One of the constraints on funding for research is that it competes with defense spending, which both the President and Congress propose to increase significantly in 2000. These increases will support military preparedness rather than defense research. As a result, the University can expect flat or decreased spending for the Congressional appropriation categories that fund most of its research, including both the NSF and the NIH.

Mr. Darling recalled that the Congress put spending caps in place in the 1997 Balanced Budget Act but since then it has exceeded these caps. The President's budget for 2000 proposes spending in excess of the caps but below a maintenance-level budget, while the Congress is holding firm to the spending caps. If the Congress and the President set aside two-thirds of the budget surplus to bolster the Social Security Trust Fund, this would delay balancing the federal budget until 2001. Setting aside money for Social Security reserves and for tax cuts would further reduce discretionary funding available for research.

The University's administration has been working with the California Congressional delegation since the President first announced his budget for FY 2000. For the first time in recent years, the California delegation has many Republicans and Democrats in key positions to determine the outcome for research. Senators Boxer and Feinstein serve on the Budget and Appropriations Committees respectively. Mr. Darling displayed slides showing the key committee assignments held by California Republicans and Democrats in Congress.

The University's Office of Federal Governmental Relations in Washington is headed by Assistant Vice President Sudduth. He and his staff have briefed the California delegation about the budget and how it affects UC and California. The Washington office and the campuses have worked closely with key committee members and staff, inviting them to campus and involving local business and community leaders. They have mobilized California companies and associations to advocate on the University's behalf.

Vice President Darling noted that the prospects for the FY 2000 budget are not as encouraging as in the recent past. He invited the Regents to become involved at key points in the Congressional budget process to reinforce the University's objectives by calling, writing, or meeting with members of Congress to explain the importance of federal funding to UC and California.

Regent Khachigian recalled that she had had the opportunity to join the chancellors when they visited the capitol in April. This visit represents a major effort on the part of the Washington office, which does an excellent job briefing the University's representatives on important issues. She urged the Regents to ask the University's federal office to schedule meetings with members of Congress for them when they are in Washington, D.C.

In response to a question from Regent Lee, Vice President Darling stated that, in addition to the University of California, the major institutions which receive federal funding in the state include the two Department of Energy Laboratories, the Jet Propulsion Laboratory, Stanford University, and the University of Southern California. Assistant Vice President Sudduth added that the federal government funds \$38 billion for non-defense-related research.

President Atkinson recalled that he had provided the Regents with statistics on the University's share of federal funding for research in the past and offered to send them again. He noted that the administration tracks closely the proportion of funding for research that goes to the University as compared with other colleges and universities.

Chancellor Greenwood reiterated the point made by Vice Chancellor Darling that, due to Congressional budget caps, the University will need to convince members of Congress to support funding for University research and development. Failure to obtain sufficient funding for research could have negative effects at the campus level, including lay-offs and the loss of faculty to other institutions.

Chancellor Dynes added that while federal funding for research in the life sciences remains constant, support for the Department of Defense, which has been the most innovative federal agency, is decreasing at a rapid rate. This fact is a cause for concern because it reflects an imbalance in funding between the life sciences and the physical sciences. To underscore this point, Mr. Darling noted that 60 percent of the funding for departments of electrical engineering nationwide comes from the Department of Defense.

In response to Chancellor Greenwood's comments, President Atkinson pointed out that the faculty at the University of California are very competitive in obtaining federal funding for research. He added that the level of support for investing in research and development is at its highest peak since World War II, noting that the country's investment in R&D has had a tremendous impact on the national economy.

2. **ESTABLISHMENT OF TRANSIT FEE, BERKELEY CAMPUS**

The President recommended that effective fall semester 1999 and continuing for a maximum of three academic years (six semesters) through spring semester 2002, all enrolled students at the Berkeley campus be assessed a mandatory transit fee of \$18 per student per semester.

The Committee was informed that the Universal Class Pass Committee, comprised of representatives from student groups, the Berkeley campus Parking and Transportation Department, and the Alameda-Contra Costa County Transit District (AC Transit), worked for two years to develop and implement a bus pass program for Berkeley students which allows them to use the system anywhere it provides service. During this development period, the Chancellor supported the program by providing funds to AC Transit so students could purchase discounted passes at \$60 per semester. Although it was hoped that Bay Area Rapid Transit (BART) could be a partner in this program, negotiations had not been finalized at the time of the student referendum. Separate negotiations with BART continue.

The fee will give Berkeley students unlimited rides during the academic school year on AC Transit, which operates 147 bus lines in the East Bay and to San Francisco. Without this fee, the cost to students to use AC Transit services would be \$45 per month or \$1.25 per local ride at the undiscounted rate. The fee also will provide free student access to campus shuttle services. All students will be able to ride AC Transit and campus shuttle buses by showing their student ID with a validation indicator. Other potential advantages of the Universal Class Pass may include relief of traffic congestion in and around the Berkeley campus, decreased demand for parking, decreased air pollution, and easier access for students to more housing options.

The three-year contract between UC Berkeley and AC Transit allows either party to abrogate the agreement if the program is not operating to their mutual satisfaction. A Universal Class Pass Advisory Committee will be created to advise the Vice Chancellor of Business and Administrative Services on operational and programmatic concerns and issues during the three years of the agreement.

The \$18 annual fee per student will be distributed as follows: \$10 to AC Transit; \$2 to UC Berkeley Parking and Transportation for program implementation, shuttle bus services, and AC Transit transbay services; and \$6 to the campus student financial aid program. Implementation of the fee will result in an increase in total student fees and will affect needy students. The financial aid budgets for student aid recipients will be increased to cover this fee and will be funded by the \$6 portion of the fee.

Campus mandatory fee policies require that for a referendum to be valid, at least 20 percent of the registered students must vote in a valid election. Approval of the referendum requires a simple majority of students voting. The referendum was held from April 20 to 22 at walk-in polling locations throughout the campus and at University Village, an off-campus housing facility. The campus' official spring 1999 enrollment is 30,350 students; a valid voting pool was determined to be 6,070 students. The referendum was approved with 9,347 (30.8 percent) students voting and 8,307 (88.9 percent) students voting to approve the fee. These results met the campus' voter turnout and majority approval requirements.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

3. **AMENDMENT OF EXTERNAL FINANCING FOR UNDERGRADUATE STUDENT HOUSING EXPANSION, RIVERSIDE CAMPUS**

The President recommended that the financing actions approved by The Regents in March 1999 with respect to the Undergraduate Student Housing Expansion project, Riverside campus, be amended as shown below, with the understanding that all other financing actions by The Regents regarding said project remain unchanged:

deletions shown by strikeout, additions by shading

- A. Funding for the Undergraduate Student Housing Expansion project be approved as follows:

<u>Fund Source</u>	<u>Amount</u>	<u>Amount</u>
External Financing	\$25,919,000	\$29,092,000

- B. The Treasurer be authorized to obtain external financing not to exceed ~~\$25,919,000~~ \$29,092,000 to finance construction of the Undergraduate Student Housing Expansion project, subject to the following conditions:

* * *

It was recalled that in March 1999 The Regents approved financing for the Undergraduate Student Housing Expansion project at a total project cost of \$25,919,000. The project was to provide a new residence hall of approximately 99,469 assignable square feet containing 402 beds and related support space. The financing action is being amended in order to fund increased costs principally associated with the addition of 64 beds and related bathrooms, thereby adding 13,178 assignable square feet. Related changes to the project scope and budget were administratively approved by the Office of the President in June 1999. The Riverside campus now proposes to construct a residence hall of approximately 112,647 asf containing 466 beds and related support space.

The Committee was informed that in fall 1998 the Riverside campus housed 24 percent of its students in University-controlled housing. Since the last residence hall addition in 1990, general campus enrollment has increased by 22 percent. The campus estimates that between fall 1998 and fall 2000, when the project will be completed, enrollment will grow by 1,150 students, including an increase of over 450 freshmen. This rapid growth trend is expected to continue into the foreseeable future, as UCR's enrollment is expected to increase approximately 5 percent per year over the next decade.

Vacancy rates in the surrounding community are approximately 3 percent and dropping, and off-campus rents are increasing. Much of this change is due in large part to rapid enrollment growth. The cost for housing at the Undergraduate Student Housing Expansion project will be \$7,924 per academic year, compared with an equivalent off-campus housing rate averaging \$8,100 per academic year.

The campus historically has housed 70 percent of its incoming freshman class. Last year, residence hall demand exceeded bed capacity by 105 students; the shortfall would have been more than 165 students had not 60 temporary beds been created by boarding 3 students in rooms designed for

double occupancy as well as by boarding students in former lounge spaces. In fall 1999, the bed shortfall is projected to be 14 percent, even after doubling temporary bed capacity.

The project will allow UC Riverside to reduce the residence bed shortfall in fall 2000. Additionally, the project will eliminate temporary beds that detract from an effective environment. Without the project, approximately 368 students would be forced to non-campus housing; an additional 112 students would continue to be boarded in temporary space.

The need for the project is supported by the campus' Long Range Development Plan assumption that 35 percent of the campus' student population and 70 percent of freshmen and transfer students be housed in on-campus housing. Additionally, based on the 503 applications received to date from returning students for fall 1999, the 355 non-freshman estimated applications would appear to be understated.

Project Description

The project will provide a total of 466 beds in eight groupings, or clusters, of residential suites. The Community Commons area located on the first floor serving all the residential suites will include approximately 13,460 asf for a variety of functions. An educational and conference area of approximately 6,020 asf will include conference rooms, office, a computer room, and storage. The new design results in a cost per gross square foot of \$134.90

The Riverside design includes heavier-than-normal structural foundation and soil retention systems required in the campus' arroyo geotechnical and soil zones, adding \$2.48/gsf to base costs. With the heavier foundation, a determination was made to continue the concrete frame through the first building level containing the commons functions; this expedient improves fire protection and noise separation between the public and residential spaces. Increased cost for this upgrade will be \$2.47/gsf. As a final consideration, a mechanical cooling system will be included as in all campus facilities, increasing the cost by \$14.65/gsf. The Riverside housing costs after adjusting for the above premiums will be \$115.30/gsf.

Financial Feasibility

The total project cost of \$29,092,000 is to be funded from external financing. Based on a debt of \$29,092,000 at 6.5 percent interest and amortized over 27 years, the estimated annual debt service is \$2,313,000 and operating expenses are estimated at \$2,057,000, for a total estimated annual expense of \$4,370,000.

Repayment of the debt will be from student rents generated by the project and rents from existing residence hall bed spaces. Rates for the existing residence hall bed spaces will be increased on average by \$825 per year to help support the new facility.

Upon motion duly made and seconded, the Committee approved the President’s recommendation and voted to present it to the Board.

4. **AMENDMENT OF EXTERNAL FINANCING FOR UC MONTEREY BAY EDUCATION, SCIENCE, AND TECHNOLOGY CENTER, PHASE ONE PROJECT, SANTA CRUZ CAMPUS**

The President recommended that the financing actions approved by The Regents in June 1998 with respect to the UC Monterey Bay Education, Science, and Technology Center (UC MBEST), Phase One project, Santa Cruz campus, be amended as shown below, with the understanding that all other financing actions by The Regents regarding said project remain unchanged:

deletions shown by strikethrough, additions by shading

A. Funding for the UC MBEST Center ~~Building, Phase One~~ project, Santa Cruz campus, be approved as follows:

<u>Fund Source</u>	<u>Amount</u>	<u>Amount</u>
Chancellor’s Funds	\$ 111,000	\$ 111,000
Economic Development Administration	1,000,000	2,900,000
External financing	<u>1,300,000</u>	1,300,000
City of Marina CDBG		500,000
Total	\$ 2,411,000	\$ 4,811,000

B. The Treasurer be authorized to obtain external funding not to exceed \$1.3 million to finance the UC MBEST Center ~~Building, Phase One~~ project, Santa Cruz campus, subject to the following conditions:

* * *

It was recalled that in June 1998 The Regents approved funding of \$2,411,000 for the UC Monterey Bay Education, Science, and Technology (UC MBEST) Center, Phase One project and authorized the Treasurer to obtain external financing not to exceed \$1.3 million. The phase one project will provide approximately 10,000 asf of space to house UC MBEST staff and for leasing to tenants.

The campus seeks approval to increase the scope of the UC MBEST Center Building project to include phase two of its development. The new project development costs will total \$4,811,000 as a result of adding \$1,900,000 in Economic Development Administration (EDA) funds and \$500,000 from the City of Marina. No new resources will be required from the University. Under

delegated authority, the Chancellor has approved this project for inclusion in the Santa Cruz campus' Capital Improvement Program.

In 1996 the Santa Cruz campus received a \$1 million grant from the EDA to construct a UC MBEST Center Building. Due to resource constraints, the project was planned for phased development. The phase one project will increase market interest and private investment for phase two development.

The UC MBEST Center and the City of Marina have an opportunity to leverage their respective resources towards the development of full build-out of the UC MBEST Center Building. The UC MBEST Center and the City of Marina have been invited by the EDA to apply for an additional \$1.9 million EDA grant for construction of phase one and phase two of the UC MBEST Building; total EDA funds will be \$2.9 million. In addition, the City of Marina will submit a \$500,000 grant request to the State of California Community Development Block Grant program. These funds, combined with those previously authorized by The Regents in June 1998, will be used to complete the building. The grant award is anticipated to be made in August 1999, and upon award, will require the campus to bid the contracts immediately in order to meet construction schedules set forth in the contract.

Project Description

The UC MBEST Center Building will provide approximately 21,000 asf of space to house the UC MBEST staff and provide leased space for targeted-market tenants. Targeted markets include education, telecommunications, environmental technology, information technology, biotechnology, and multi-media.

Should the grant approved by the EDA be less than requested, the campus would adjust the project scope with identified deductive alternatives, reconciling scope to available funds. At a minimum, phase one development will be completed using the previously approved \$1 million EDA grant. The status of approved grants is not affected by applications for the additional funds. Subsequent to the new grant award, the Chancellor will provide a letter to The Regents to confirm the amount of the grant, the scope of the project, and the total project cost.

The phase one project will provide approximately 10,000 asf of space to house staff and provide space to lease to tenants. Phase two will include two additional modules of approximately 5,600 asf each. These modules will provide space to lease to the City of Marina's Small Business Incubator Program.

Financial Feasibility

The project cost is estimated to be \$4,811,000. Based on a debt of \$1.30 million at a rate of 6.5 percent interest amortized over 27 years, the annual debt service is estimated to be \$103,000. Repayment of the debt will be from the Santa Cruz campus' share of the University Opportunity Fund, although it is anticipated that lease revenue from the facility will be used to repay the debt and the operating expenses.

In accordance with the California Environmental Quality Act, an appropriate environmental document will be prepared for consideration in conjunction with project design review.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

5. **REPORT OF NEW LITIGATION**

General Counsel Holst presented his routine **Report of New Litigation**. By this reference the report is made a part of the official record of the meeting.

The Committee adjourned at 2:55 p.m.

Attest:

Secretary