The Regents of the University of California

COMMITTEE ON GROUNDS AND BUILDINGS
COMMITTEE ON FINANCE
November 16, 2000

The Committee on Grounds and Buildings and the Committee on Finance met jointly on the above date at Covel Commons, Los Angeles campus.

Members present: Committee on Grounds and Buildings: Regents Atkinson, Connerly, Davies, Fong, Hertzberg, Hopkinson, O. Johnson, S. Johnson, Khachigian, Kohn, and Kozberg; Advisory members T. Davis, Morrison, and Seymour
Committee on Finance: Regents Atkinson, Bagley, Connerly, Davies, Fong, Hertzberg, Hopkinson, S. Johnson, Kozberg, Lee, Miura, Parsky, and Preuss; Advisory member Morrison

In attendance: Regents Bustamante, Lansing, and Montoya, Faculty Representatives Cowan and Viswanathan, Secretary Trivette, Interim Treasurer Bowman, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Drake, Hershman, and Saragoza, Chancellors Berdahl, Bishop, Carnesale, Cicerone, Dynes, Greenwood, Orbach, and Yang, and Recording Secretary Bryan

The meeting convened at 11:00 a.m. with Committee on Grounds and Buildings Chair Kozberg presiding.

1. **APPROVAL OF THE MINUTES OF PREVIOUS MEETINGS**

Upon motion duly made and seconded, the Committees approved the minutes of the meetings of July 20 and September 13, 2000.

2. **APPROVAL OF UNIVERSITY OF CALIFORNIA 2001-02 BUDGETS FOR CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS**

The President recommended that:

A. The Committee on Finance recommend that the expenditure plan included in the *2001-02 Budget for Current Operations* be approved.

B. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements be approved as presented in the document titled *2001-02 Budget for Capital Improvements.*

Vice President Hershman reported on the budget, indicating that, although he intended to focus most of his comments on State General Funds and UC sources of income that help fund the basic budget, he would start with a brief overview of the University's total expenditures and income from all sources, including federal and private funds. He noted that a recent report by the state Legislative Analyst suggested that there may be a reserve of $20 billion this year and a 7 percent rate of increase in State revenue for the next four years. He noted also that at the January meeting, following the release of the Governor's Budget, there would be a further presentation and the Regents would receive a five-year budget projection for all funds for every campus. These will be followed by a presentation on the federal budget in the spring and a more detailed discussion about capital outlay from all fund sources. A final budget should be available by July.

Graduate Student Support

There was strong sentiment at the State level during the 1970s against increasing graduate enrollment. That changed slightly in the 1980s, when there was selective support. In the early 1990s, both undergraduate and graduate enrollments fell, but during the last few years, graduate enrollments have increased by 500 to 700 students per year. Increases of 1,000 students per year are being projected, mostly in engineering and computer sciences. The total fellowship, graduate research assistant, and teaching assistant grant amount is $17,000 per student. The amount of money being put into graduate support from a variety of sources is $612.1 million. About half of the total dollars for research assistant support comes from federal research grants; money for teaching assistants comes almost exclusively from the State.

The University has agreed to phase out over a three-year period all regular student fees charged to teaching assistants and research assistants. It will be necessary to examine federal and private sources for further enhancements for these students.

Funding for additional research above the partnership is a top priority. There is a commitment to use most of that money to support graduate students. In the current year the budget contains $5 million to create research assistantships in engineering and computer science, and a further $5 million increase is proposed for next year. Combined with other research initiatives, the base State budget for next year will contain $13 million in additional money for research assistantships.

It is assumed that, as students are added, faculty will be added at a rate of about 3 percent per year. Those faculty will generate additional research money that will help support graduate students at the rate of $2 million to $3 million a year. The Governor has proposed science institutes that will also provide substantial support for graduate students.

Ms. Debbie Davis, Chair of the University of California Students Association, was invited to comment on the budget proposal. Ms. Davis noted that the current budget request is weighted heavily toward the sciences and engineering. She believed that students in the humanities and social sciences are performing a disproportionate amount of the teaching assistantship functions and are taking out a disproportionate number of loans. As a result, the need for support is greater in the humanities and social sciences. There is the perception that no job market exists to support these students, but in fact they are well-employed ten years after graduating, many in the private sector, and are contributing in important ways to the economy. She noted that there are areas the University needs to address in order to make a strong case to the Legislature for increasing funding to graduate education. The University needs to collect its data more consistently on attrition, time to degree, and where graduate students are being placed in the job market. She believed that the University needs to do a better job of preparing students to be competitive and of making it possible for students to get their degrees in a timely fashion. She believed also that the University needs to formulate policies that encourage growth in graduate education. The growing campuses are trying to expand their graduate programs using a funding formula that is not commensurate with the costs. She stated that the ASUC is committed to advocating on these issues in Sacramento.

Mr. Hershman then invited questions on the graduate student issue.

Regent Montoya asked whether the plan to relieve teaching and research assistants from having to pay registration fees will affect their time to degree. Mr. Hershman believed that there was a relationship between financial support and time to degree in some disciplines.

Regent Hopkinson observed that the current proportion of graduate students is just over 17 percent. She believed that the objective should be to exceed 20 percent. Mr. Hershman responded that the current plan will bring the percentage to 18 by 2010. He recalled that previous plans had failed to achieve a goal of 20 percent. Regent Hopkinson observed that some campuses have 17 percent and are severely disadvantaged by the formula in attempting to increase their graduate enrollment. President Atkinson disagreed with her observation. He believed that the current formula encourages graduate expansion. Mr. Hershman recalled that the University has an agreement with the Legislature and the Department of Finance on the funding formula, which covers both undergraduates and graduates and is adjusted automatically if costs increase.

Regent Lee noted that student loans represent a large portion of student financial aid. He pointed out that foreign students pay higher fees and are not eligible for those loans; therefore, they need other kinds of support. Mr. Hershman explained that most loans come from federal sources. Foreign students get more financial aid money from other sources to help make up the difference.

Regent S. Johnson was disturbed that the colleges and universities that UC considers its competition have a much higher percentage of graduate students. She was concerned that even if the plans to increase student funding materialize, the University will be a long way from reaching a state of competitiveness. She believed creative measures will be necessary in order to increase the amount of the stipends. President Atkinson recalled that two decades previously, the University was called into question for conducting research and its focus on educating graduate students was condemned widely. During the 1980s, the University expanded massively but only at the undergraduate level. In the early 1990s, support for expanding the number of graduate students was renewed, but it disappeared with the advent of a recession the following year. He believed the current initiative was extremely important. Mr. Hershman recalled that the increases for research during the last few years from the Governor and the Legislature surpassed those of the combined previous 15 years. President Atkinson added that there was a reason also for the lag in educating engineers. There was a recession in engineering fields during the 1960s, and because there was a common feeling that schools of engineering were not needed, the University temporarily abandoned its plans to develop new ones.

Regent Bustamante noted that he was told recently by Silicon Valley executives that 200,000 graduates in engineering and computer sciences could be accommodated in the workforce. He believed more attention should be paid to filling this need. Mr. Hershman recalled that several years previously, the University had a commitment from the Governor to support an increase in the number in engineering and computer science students from 16,000 to 24,000 by 2005. By next year, that number will be close to being attained, and the goal will need to be reevaluated.

Mr. Hershman then turned to other aspects of the budget proposal, commenting individually on charts mailed in advance of the meeting. Addressing the *2001-02 Budget for Current Operations and Extramurally Funded Operations*, he noted that the total income from all fund sources is about $15 billion for 2000-01. State General Funds, student fees, and UC general funds together equal about $14.2 billion; subtracting the hospitals, auxiliary enterprises, and the Department of Energy laboratories results in a total of about $8.8 billion. Therefore, general funds amount to almost half of what may be considered the "educational budget." Most of the remainder is federal, private, and State grant monies. The University is requesting a 7.7 percent increase in State funds and a 3 percent increase in student fees related to enrollment growth. There are significant increases in extramural funds and private gifts and grants. There is a 2 percent increase for the hospitals.

The display *1999-2000 Federal Funds* indicated that there are nearly $6 billion in federal funds, half of which is for the DOE laboratories. Federal funds also support research, Medicare, and Medi-Cal. The federal budget has a significant impact on the money available for discretionary programs, research, and student aid. In 1997 there were spending caps on discretionary programs at the federal level, but these have been surpassed as the economy has improved. The University is in a competitive position to enjoy increases from this category in future years.

1999-2000 Research Expenditures by Fund Sources shows that federal funds make up over half of the University's research money. In the 1980s the growth of federal research money allocated to the University increased by about 10 percent per year. This figure declined to about 4 percent in the early 1990s, but since then this source has increased every year.

Vice President Hershman invited Senior Vice President Darling to report on the University's recent lobbying efforts in Washington. Mr. Darling reported that during the coming month Congress will be focusing on funding for research and on providing teaching hospitals with some relief from the Balanced Budget Act of 1997, which resulted in cuts of $140 million to the University's hospitals. Last year, about $27 million was restored to the University, and it is hoped that more will follow. At the request of Regent Bagley, he agreed to draft a letter that Regents may use to present to legislators in an effort to secure further relief from these budget cuts.

Mr. Hershman then continued his report, noting that private support for the University has been spectacular. It increased by 30 percent in 1999-2000, to over $1 billion.

State General Funds Support indicated that the percentage of State funds has stabilized during the past several years due to the strong economy. There has been strong support from the Governor and the Legislature during the past two years. Per-student expenditures from State General Funds, UC general funds, and student fee revenue, adjusted by California per capita income, has remained relatively stable from 1970 through 2001.

Between 1992 and 1994 there was a $900 million shortfall from the workload budget. The University responded by increasing fees 25 percent, cutting budgets by 50 percent, and foregoing salary increases. An attempt has been made since then to make up for the devastation this caused. The Partnership Agreement has provided money for instructional equipment and technology, libraries, and maintenance, and the student-faculty ratio has been enhanced, but the legacy of those years remains. It will be challenging for the University to meet its projected general campus enrollments while maintaining quality under these conditions. The compact with Governor Wilson helped, and the Partnership Agreement with Governor Davis will be critical in that it will provide funding to maintain salaries and support students.

The Partnership Agreement has an element of accountability for the University, which historically has accommodated all eligible students and will be over enrolled in 2001. Steady progress has been made in improving student-faculty ratios and graduation rates, and commitments for financial aid have been met. The University has honored its commitment in terms of competitive faculty salaries and opening a tenth campus. It increased community college transfers last year by 6.6 percent and broadened its role in preparing K-12 teachers.

Regent Connerly was concerned that with the economy slowing, the University may not be able to maintain its extraordinary progress in the areas under discussion and still be able to hold fees down. Mr. Hershman reiterated that the Legislative Analyst predicts that there will be annual growth of 7 percent for the near term. President Atkinson emphasized that built into the increased support that the University has experienced are heavily increased obligations in outreach and K-12 participation. The competition for faculty is severe, and start-up costs are substantial for providing research space for new faculty so that they can compete for federal grants. Regent Preuss observed that the budget, although appropriate to maintain the status quo, does not provide for building infrastructure and hiring the requisite faculty to enable the University to fulfill its commitment to the State through 2010. Mr. Hershman noted that the a key element of the Partnership Agreement that will affect the University's ability to maintain quality was the size of the next bond issue.

Mr. Hershman then focused on the basic budget request. He reported that the University expects a 4 percent increase in State General Fund income, mostly to cover salaries, plus 1 percent for core needs such as maintenance and equipment, money for enrollment at a marginal cost formula, funding for phasing in summer terms at some campuses, revenue equivalent to a 4.9 percent student fee increase, an increase in fee income related to enrollment growth, and an increase in UC General Funds. Proposed increases in expenditures for fixed costs provide for continuation costs of 2000-01 salary increases, merit increases for faculty and staff, a COLA, and parity adjustments for faculty and staff. Funding for workload and program growth provides for increases in enrollments, improving the student-faculty ratio, and maintaining and operating space.

Regent Bustamante asked how much money in total the University is asking the State to provide. Mr. Hershman explained that it is asking for an increase of $245 million for operations, which includes proposed increases in the base, for core needs, for enrollment growth, to support summer terms, and to prevent a fee increase. That figure added to the budget for capital improvements yields the total one-time request from the State. He noted that there will be a drive to increase one-time State money in the next budget. There are also initiatives over and above the one-time request. Although under the Partnership Agreement the State guarantees a certain amount of money to the University, the University has the opportunity to seek funding over and above that. He believed that if the State cannot afford permanent increases to fund research initiatives, an effort may be made to get one-time money to fund them in the future. He explained that the Partnership Agreement was established to provide funding for basic needs; however, the Governor and the Legislature have funded many initiatives over and above the funding provided in the Partnership Agreement.

Regent Bustamante noted that the University is asking for additional funding for outreach and retention initiatives. He wondered how it can be assured that these high-priority programs will get the necessary funding, considering that the Governor and the Legislature, which have been very generous in funding these initiatives for the past three years, are beginning to wonder why they are not seeing more progress in terms of enrollments. He asked that a discussion of the issue be scheduled for a future meeting.

Mr. Hershman mentioned that capital funding from the State had provided $150 million to $200 million per year for many years. Since Proposition 1A went into effect, the amount has increased. In 2001-02 the University is proposing that the money left in the last year of Proposition 1A be used for construction at UC Merced. A discussion is under way with the Legislature about the possibility of one-time money also to support capital needs.

Regent Lee noted that the state is unable to supply a sufficient number of engineers for the workforce. He advocated reevaluating the University's commitment to expanding engineering programs in order to graduate a maximum number of students.

Regent-designate Seymour asked about community college outreach. Mr. Hershman explained that money for the community colleges is built into the Partnership Agreement but that extra money is also being requested. Mr. Seymour asked whether the funding would be sufficient. Vice President Saragoza believed that it would. He noted that the University is committed to making sure that the community colleges contribute to the effort. The effectiveness of the University's efforts will be based on the degree of collaboration that develops.

Regent Connerly asked about the University's yearly assessment of what its fees would be based on its comparison institutions. Mr. Hershman reported that the University's fees for resident undergraduate students for 2001-02 are estimated to be more than $1,400 below the average of its public comparison institutions. The University's fees were on the high side seven years ago, but they have become among the lowest in recent years. Regent Connerly hoped that it would not be too great of a shock if at some point fees need to be raised. He believed it was useful for the public to be aware of the amount of the gap is that is being covered by the State through fee buyouts.

Regent S. Johnson returned to the issue of one-time money, noting that it is critical for this year. The California Postsecondary Education Commission has reported that the University needs $500 million per year in capital outlay. The University has requested $160 million for the first three buildings at UC Merced. She believed it was a good time to ask for that money but that it was also a good time to be asking for money for the other campuses. She hoped that obtaining more one-time money was a high priority during budget negotiations. Mr. Hershman commented that the University has a list of $223 million in building projects related to enrollment growth. He was hopeful that additional one-time money could allow those projects to be accelerated.

Regent Preuss asked how much money is needed to keep the University on a straight line of growth toward 2010 and meet the requirements set out for it by the State. He was concerned that the University end up well short of its target. Mr. Hershman acknowledged that this is the biggest issue facing the University. The University will argue for a bond issue that is much larger than the existing one. As noted previously, next year is the last year of funding from Proposition 1A. He stressed that the figure of $500 million is the minimum amount needed.

[For speakers' comments, refer to the minutes of the November 16 morning session of the Committee of the Whole.]

Upon motion duly made and seconded, the Committees approved the President's recommendation and voted to present it to the Board, Regent Hertzberg abstaining.

3. **MAJOR CAPITAL PROJECTS IMPLEMENTATION REPORT, 1999-2000**

Assistant Vice President Bocchicchio recalled that the Major Capital Projects Implementation Report, first presented in 1991, measures project delivery performance and identifies project delivery trends. This report describes the status of all major capital projects under way at the end of the 1999-2000 fiscal year and summarizes management initiatives and market conditions affecting project implementation.

The University's ability successfully to implement its capital program depends on several factors. Factors within University control include project management strategies, academic program changes, and budgeting and funding strategies. Factors beyond University control include the construction industry bid climate and market conditions, code changes, requirements of State and other funding sources, and weather delays.

It is important to note that most project budget and schedule changes are driven by circumstances intentional, necessary, and beneficial to the University's interests; for example, realistic program changes, the logistics of multiple project phasing, and new funding opportunities. Because this mix of factors affects project delivery, simple indicators do not fully represent the complex factors affecting project implementation. Nonetheless, to assess the general condition of the program, to identify trends, and to develop initiatives to improve project delivery, two indicators are monitored: project budget changes and project schedule changes.

Status of the Capital Program

The major University capital project activity for fiscal year 1999-2000 shown below deals only with projects costing over $250,000. All figures referring to either budget or schedule changes represent the cumulative change over a project's duration, which normally exceeds four years.

Summary of Major Capital Project Activity at Fiscal Year End 1999-2000

Total active projects	297
Total amount of original budgets	$4,304,009,000
Cumulative approved budget changes (adjusted for inflation)	$108,822,000
Total year-end budget, (adjusted for inflation)	$4,412,831,000
Change from Original Budget	2.5%
Total year-end budget (including inflation)	$4,437,206,000

Projects with budget changes 80
Projects with schedule changes 186

From fiscal year 1998-99 to fiscal year 1999-2000, the number of active projects increased from 241 to 297, with a net addition of 56 projects. During the same period, budgets increased by a net of $946 million. Total net budget augmentations decreased from 3.6 percent to 2.5 percent.

The ten-year trend has shown a continual reduction in net budget augmentations and stability in the rate of schedule changes. During the past two years the number of projects, and therefore the total capital cost of projects under way, increased sharply. Projects related to enrollment growth, including housing, are reflected in the number of new projects in the program. Seismic improvements and renovation projects continue to represent a major component of the capital program.

Conditions in the Construction Marketplace

While last year's figures show positive results, the University is experiencing unprecedented market-driven changes in design and construction costs, due to a robust state economy. The reasons are rooted in the coincidence of the state's demographic expansion with a continuing nationwide economic boom. These economic forces have begun to cause sudden shortages of labor and materials, with resultant higher construction bid prices than would otherwise be predicted by general inflation indices used in the budgeting process. UC campuses have recently experienced low numbers of bidders, including both general contractors and subcontractors. This trend reflects labor and material shortages that have led to construction bids for individual projects significantly above pre-construction estimates and budgets.

Capacity shortages visible in the construction industry are mirrored in the design industry, where architecture and engineering firms have experienced large volumes of new design work with no ability to add qualified staff to meet the demand. These trends are national as well.

The University is further affected by its budgeting convention that involves establishing and approving budgets 2 to 2½ years before the project is bid for construction. Annualized construction cost-escalation factors in capital budgets magnify inconsistencies over such a long period. In the current volatile environment, bidders and potential bidders for University projects are reluctant to make long-term, lump-sum commitments.

Nationally, universities and other consumers of highly sophisticated building construction report experiencing particularly intense cost increases. University projects compete for the same contractor skills, labor, and materials as high-technology companies, pharmaceutical firms, K-12 schools, community college districts, and large-scale housing developers. Both the University and schools prefer to begin major construction projects after the spring term ends in June, resulting in a substantial number of projects being bid simultaneously, compounding the problem of competition for scarce resources.

The current market volatility is not limited to costs but also extends to schedules. Steel mills are currently operating at capacity, and as a result purchasing opportunities narrow as order lead times stretch. Lead times for steel delivery have increased to as long as 30 weeks on active UC projects.

Analysis of recent University bid results shows that sudden price increases are occurring in several trades and materials. This phenomenon, called "spiking," happens too suddenly in a local market to affect engineering and planning decisions. Locally, spiking occurred with structural steel and steel workers as a result of the extremely large San Francisco International Airport expansion project. Even with completion of the airport's construction, structural steel demand continues in the Bay Area and nationally. Recently, spiking is being experienced nationally with construction components such as dry wall, in turn affecting local and regional markets.

In the short term, labor and materials scarcity, as opposed to inflation, is less predictable in its impact on project planning, according to professional estimators working with UC capital projects. Craft labor shortages increase costs that must be considered in project estimates in order to budget effectively in current market conditions. Projects experiencing simultaneous labor shortages and low rates of subcontractor competitiveness can experience cost increases of 20 percent or more over bid estimates.

Labor shortages can create continuing problems during construction, primarily in additional costs and longer project schedules due to hard-to-measure productivity declines and out-of-sequence work, factors which contractors find difficult to predict. In the past, these economic pressures on contractors have led to a volatile bidding climate and efforts by contractors to recoup otherwise unrecoverable cost increases through claims.

To complete this picture, the Bureau of Labor Statistics has published extensive labor research showing that skilled trades personnel in the building industry are not being replaced.

In summary, the University is experiencing an "overheated" economy at the same time it is mandated to grow and to increase its rate of facility development. Simple strategies, such as waiting this situation out, are not feasible when considering the magnitude of UC's capital program.

Initiatives Related to Project Cost and Delivery

A. *Comparative Cost Study for University Capital Projects*

The University continues to scrutinize the cost of individual capital projects. Benchmark costs for similar facilities are documented during the budget development process, with input from independent cost consultants, and are presented at the time individual project budgets are approved. As an outcome of legislative budget hearings on the University's State capital budget for 1999-2000, the University agreed to undertake a comparative study of project costs nationwide, looking at comparable capital projects recently completed at other research institutions.

The Comparative Cost Study for University Capital Projects will identify differences and ranges in project costs that are both within and outside the control of the University, including those attributable to program requirements, local and state code requirements, objectives related to life-cycle and maintenance costs, project management and contracting methods, and local market conditions. Staff from the Department of Finance and the Legislature are participating with campus and Office of the President staff in determining study objectives and the framework for analysis. A national cost estimating and project management firm has been selected to undertake the analysis, and a final report is expected within the current fiscal year.

B. *Capital Program Risk Management Process*

Last year this report summarized the work of an industry task force convened by the University to evaluate its overall capital project delivery process in light of the rapid increase in the size and complexity of the University's capital program. The task force's evaluation included interviews with all campus and Office of the President components engaged in capital project implementation and examination of applied systems and methodologies. The task force completed its work in July 1999 with delivery of its report, both supporting and challenging aspects of the existing process.

The Senior Vice President–Business and Finance moved to implement several of the task force's recommendations and appointed a Universitywide steering committee to identify and examine key business and operational risks that must be addressed and/or mitigated. The steering committee, comprised of 11 senior-level University staff charged with the delivery of the University's capital projects, participated in individual interviews and in a group meeting to identify and prioritize the major factors that expose the University to risk of not delivering projects effectively. This objective assessment framework was developed as part of the Universitywide business controls initiative of the Office of Financial Management.

The steering committee identified ten risk factors that have the greatest potential to affect the University's ability to meet program delivery goals. These factors are being examined at each campus and the Office of the President to assess overall readiness to manage risks and to document mitigation efforts already in place. An evaluation of additional campus and Universitywide actions to be implemented that will further strengthen capital project delivery is an integral part of this process.

With the increasing magnitude and complexity of the capital program, new resource strategies will be required to address risks resulting from the current and foreseeable construction market. In particular, market conditions around most UC campuses affect not only price and timing volatility but also the campuses' ability to recruit and retain qualified and experienced staff. UC's personnel challenges will increase given the limited pool of experienced workers in California, the differences between private and public sector compensation packages, and the limitations on available financial resources.

Once information gathering is complete, the steering committee will make its recommendations as well as act to share current best practices throughout the University.

Regent Davies observed that the University's capital needs are huge. He hoped that priorities are being set systemwide that make seismic corrections the most important consideration. Mr. Bocchicchio assured him that this has been a high priority for the past several years.

Regent Preuss referred to the large level of deferred maintenance that built up during the economic recession. He asked whether buildings are being kept up. Mr. Bocchicchio responded that a five-year bond program has been producing $50 million to $60 million per year but that more money is needed for maintenance and capital renewal. Regent Preuss asked for a future presentation or document that measures what has been accomplished in terms of deferred maintenance and where the programs stands.

4. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND EXTERNAL FINANCING FOR SOUTHWEST CAMPUS HOUSING AND PARKING PHASE 1, LOS ANGELES CAMPUS**

The President recommended that:

A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Los Angeles: <u>G. Southwest Campus Housing and Parking Phase 1</u> – preliminary plans, working drawings, and construction – $147.77 million to be funded from external financing ($143.27 million) and housing reserves ($4.5 million).

B. The Treasurer be authorized to obtain financing not to exceed $143.27 million to finance Southwest Campus Housing and Parking Phase 1 project, subject to the following conditions:

(1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

(2) With regard to the housing portion of the debt ($117.8 million), as long as the debt is outstanding, University of California Housing System fees for the Los Angeles campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess net revenues sufficient

to pay the debt service and to meet the related requirements on the proposed financing.

(3) With regard to the parking portion of the debt ($25.47 million), as long as the debt is outstanding, Los Angeles campus Parking System fees shall be established at levels sufficient to provide excess net revenues sufficient to pay the debt service and to meet the related requirements on the proposed financing.

(4) The general credit of The Regents shall not be pledged.

C. The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.

D. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committee was informed that the Southwest Campus Housing and Parking complex will be undertaken in two phases. Phase 1, the current proposal, will provide 1,362 bed spaces, comprised of 523 two bedroom/two bath units and 316 studios, and 1,430 parking spaces. Phase 1 will result in approximately 551,200 assignable square feet, including 26,830 asf of commons space, 641,000 gross square feet of housing, and 470,990 gross square feet of parking to accommodate single graduate and professional students in the southwest quadrant of the campus.

In November 1999, The Regents approved the preliminary planning phase of $4,977,000 to be funded from the University of California Housing System, Los Angeles campus reserves ($3,997,000), and parking service capital reserves ($980,000). At that time, the total project cost for Phase 1 was estimated to be between $128 million and $145.5 million. In October 1998, UCLA initiated a planning process with the objective of developing a comprehensive master plan for the UCLA Southwest Campus Housing and Parking project.

The need for such a planning process was prompted by the following significant factors:

- The need to substantially increase University housing inventory, specifically for single graduate students, pursuant to the goals outlined in the UCLA 1990 Long Range Development Plan and Student Housing Master Plan.

- Low vacancy rates coupled with high rents in the surrounding communities make it difficult for students to live within one mile of the campus.

- The recruitment and retention of top quality students.

- Convenient housing for UCLA students to assist in the campus traffic mitigation plan.

The Long Range Development Plan (LRDP) for Housing

The 1990 Long Range Development Plan identified a portion of the southwest campus for development of an apartment community for 2,700 students, faculty and staff. That same year, the student housing master plan was revised to update assumptions regarding undergraduate and graduate enrollment and demographics consistent with the LRDP. The primary goal of both plans was to increase significantly the inventory of University-owned student bed spaces within one mile of campus. The proposed Southwest Campus project is consistent with both with the LRDP and the 1990 Student Housing Master Plan goals.

Demand Data for Single Graduate Students

Based on historical enrollment data, graduate students new to UCLA have averaged between 2,900 to 3,000 each year since the early 1970s. The campus estimates single graduates to be approximately 69 percent of those, or 2,000 students. The 1990 Student Housing Master Plan goal is to house 50 percent of new single graduate students for the estimated three-year duration of the program, for a need for 3,000 bed spaces. This demand has been confirmed through a 1999 campus survey of new graduate students, which estimated single graduate demand at 1,400 beds; over a three-year term, the upper demand range would be 4,200. The campus currently provides beds for 465 students, creating a shortfall of between 2,535 and 3,735 beds. Completion of this project will reduce the shortfall to a minimum of approximately 1,200 beds.

Demand Data for Parking

The 1990 LRDP adopted a parking space inventory cap of 25,169 spaces. UCLA parking inventory for fall 1999 was 22,012, and space utilization during the first weeks of classes was as high as 98 percent. The fall 1999 parking waiting list was 3,969 students.

More important than current spaces and utilization is the analysis conducted of parking needs over the next ten years. UCLA's current ten-year parking plan projects that total parking spaces would remain under the 25,169 LRDP parking inventory cap, or increase by no more than 3,157 spaces. Current unmet demand for student parking is 2,940 spaces. Student and staff demand is conservatively estimated to increase by 1,296 spaces and outpatient parking demand to increase by 400 spaces, for a total demand of 4,636 spaces. Thus, even after a build-out of parking to the LRDP cap of 25,169 spaces, UCLA would continue to have unmet demand for parking estimated at 1,479 spaces.

The first phase of the project will provide 1,430 parking spaces for the residential village. This will include parking for residents, at a ratio of one space per bed, with the remainder of the spaces for staff, visitors, and maintenance vehicles.

Project Description

The complex is to be constructed on the approximately fifteen-acre site bordered by Gayley and Levering on the east, Veteran Avenue on the west, Strathmore Avenue on the north, and Weyburn on the south in Westwood Village. The project will be undertaken in two phases. Phase 1 will include the master planning for the entire project site and all of the programmed bed spaces, but will limit construction to 1,362 bed spaces and related support facilities. Phase 1 planning is under way, and beneficial occupancy for the first 1,362 beds is targeted for summer 2003. Phase 2 construction of approximately 638 beds and 638 parking spaces will commence immediately following the completion of Phase 1, subject to future Regental review and approval.

The housing component of the Southwest Campus Student Housing Project, Phase 1 will result in approximately 533,070 asf of residential buildings and support space, on top of partially below-grade parking structures. Ancillary facilities designed to support student residents will comprise approximately 11,400 asf. Administrative and technical areas and a maintenance shop to support the housing units for both phases of the development will also be included in Phase 1 construction.

Budget development for the project involved evaluation of the cost premiums associated with underground versus above-ground parking structures. All special construction conditions for this particular campus project such as waterproofing, full or partial mechanical ventilation of parking garages, extensive excavation, relocation of existing irrigation, electrical lines and other main campus utilities located in the area, fire sprinklers, additional wall and roof structures, and replacement of pedestrian and vehicular routes linking the site with both the north and central campus are added to the cost. The total project cost includes necessary roadway and walkway modifications to provide access to the new spaces as well as site development costs.

Increased Project Scope

The Regents approved preliminary planning in November 1999. At that time, the total project cost for Phase 1 was estimated to be between $128 million and $145.5 million. Since November 1999, the following changes have occurred which have resulted in a total project cost of $147,770,000. The current project scope envisions 1,362 beds in 551,200 asf and 1,430 parking spaces in 470,990 asf. This increase in scope allows the campus to take advantage of the anticipated ability of the design/build team to optimize site work and construction.

Project Cost

The project will displace 226 surface parking spaces from the campus parking system inventory. The estimated cost for the housing portion of the project includes compensatory funding to parking services for the replacement of these spaces. A corresponding credit of $4,520,000 to parking services will be financed and debt service obligations covered by UCLA housing system revenues.

CEQA Classification

In accordance with the California Environmental Quality Act (CEQA), and the University of California Procedures for the Implementation of CEQA, an Environmental Impact Report will be prepared to analyze the potential environmental effects of the proposed Southwest Campus Housing and Parking Phase 1 project.

Financial Feasibility

The total project cost of $147.77 million will be funded from external financing ($143.27 million) and Los Angeles campus reserves from UCHS ($4.5 million). The housing and related programmatic facilities to be constructed as part of the Southwest Campus Housing project will be added to the University of California Housing System.

Financial Plan for Housing

It is proposed that the housing component of the project be financed with a combination of $117.8 million in debt and $4.5 million of UCHS reserves. The $122.3 million housing cost includes the aforementioned $4.52 million buy down of 226 parking spaces displaced by the project. Assuming a loan term of 27 years at 6.5 percent interest, average annual debt service is estimated at $9,368,000 and operating expenses are estimated at $3,612,000 for total annual expenses of $12.98 million. Repayment of the debt will be from student rents generated by the project and revenues from existing campus bed spaces.

In the first full year of operations of this project, the campus rate structure for all other on-campus housing will increase by approximately $96 per academic year per bed to support the cost of the project.

The projected Southwest campus housing rates will range from $715 to $765 per month per student, with an average rate of $725 for fall 2003 and $770 for fall 2004. These projected rates are inclusive of utilities, cable TV, and high speed access to the campus computing backbone, currently valued at approximately $125 per month per student. Comparable rates for apartments within walking distance of campus, with the amenities and utilities described above, are projected to be about 27 percent more.

Financial Plan for Parking

Total project cost for the parking component is estimated at $25.47 million. This estimated amount excludes the $4.52 million buy down to parking services from housing for site acquisition, in accordance with UCLA campus policy. The total project cost for the parking component will be funded from external financing. Repayment of the external financing for this decreased amount will be made from parking net revenues. Campus parking permit rates will generate funds sufficient to cover operating, maintenance, and debt service expenses.

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

5. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND EXTERNAL FINANCING FOR MEN'S GYM SEISMIC REPAIR AND PROGRAM IMPROVEMENTS, LOS ANGELES CAMPUS**

The President recommended that:

A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Los Angeles: <u>Men's Gym Seismic Repair and Program Improvements</u> – preliminary plans, working drawings, and construction – $37,908,000 to be funded from federal funds ($13,832,000), campus funds ($479,000), and external financing ($23,597,000).

B. The Committee on Finance recommend to The Regents that the Treasurer be authorized to obtain financing not to exceed $23,597,000 to finance the Men's Gym Seismic Repair and Program Improvements project, subject to the following conditions:

(1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

(2) Repayment of the debt shall be from the Student Programs, Activities and Resource Complex Fee approved by student vote in May 2000 and by The Regents in November 2000 and a portion of the Los Angeles campus University Registration Fee, which shall generate net revenue sufficient to pay debt service and to meet all related financing requirements.

(3) The general credit of The Regents shall not be pledged.

C. The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.

D. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committees were informed that the Men's Gym is considered one of the historically and architecturally significant buildings of the core campus. The building's principal occupant is Student Services. Cultural and Recreational Affairs, a component of Student Services, manages the building's gymnasium and locker room, in addition to an adjacent swimming pool. Reserve Officer's Training Corps and the Scuba program also occupy space in the building.

The proposed project will seismically renovate the building and improve space use and building function for Student Services. The base project will strengthen and repair the structure and provide accessibility improvements, hazardous materials abatement, and life-safety upgrades. Program improvements will convert underused, non-code-compliant, and inactive space into offices, meeting rooms, and locker facilities for Student Services that meet contemporary standards. The scope of work will include the installation of air conditioning, communications connectivity conduit, and additional life-safety and accessibility improvements to accommodate new building uses.

The Student Services Master Plan was developed in 1992 to bring together facilities for student services, including student affairs, health, and recreation programs, in a central campus location. Much of this plan was accomplished in the 1990s, including the addition of the Arthur Ashe Student Health and Wellness Center and the Men's Gym Staging Building addition.

Approval of the SPARC (Student Programs, Activities and Resource Complex Fee) referendum by the students in May 2000 provided funding to improve the Men's Gym for contemporary Student Services use. Improvements to space use and building function will now be provided, in conjunction with necessary structural corrections and mandatory code upgrades. This has resulted in a significant expansion of the anticipated scope and budget presented in November 1999 to The Regents. The SPARC referendum also provides funding, under separate projects, to construct the west addition to the Wooden Center and to convert the previously approved Men's Gym Staging Building to permanent Student Services use after completion of renovations to the Men's Gym.

The Men's Gym was severely damaged in the January 1994 Northridge earthquake. Damage was distributed throughout the structure, with the greatest energy absorbed in the gymnasium's masonry in-fill walls and roof trusses and the hollow clay tile in the building's stairwells and interior partitions. The Men's Gym currently has a seismic rating of "Very Poor." Studies concluded that the earthquake reduced the overall strength of the building by approximately 38 percent. Funding was subsequently received from the Federal Emergency Management Agency for repairs and relocation costs for building occupants. The Men's Gym staging building is under construction to provide temporary accommodation for the building occupants while the Men's Gym undergoes seismic renovation. Upon completion of seismic renovations to the Men's Gym, the seismic rating will be "Good."

Project Description

Structural strengthening will include installation of shear walls, column jackets, and grade beams throughout the building, and repair of the steel roof trusses and installation of new steel bracing at the gymnasium roof diaphragm. Structural repairs will include epoxy injection of cracks in the building's structural elements; repair of the exterior brick; re-roofing the flat area of the roof; bracing of ceilings, exit corridors, and utility lines; and strengthening or reconstruction of the pool enclosure wall.

Fire and life-safety upgrades will include installation of an automatic sprinkler system, new fire alarm and smoke detection systems, and related work.

Student Services' Improvements

The additional Student Services office space will accommodate expanded occupancies for programs now in the Men's Gym, programs currently in other campus buildings, and new programs. Shared conference and meeting rooms will also be provided. While overall assignable square feet in the building will decrease, useable square feet will increase.

CEQA Classification

In accordance with the California Environmental Quality Act (CEQA) and the University of California Procedures for the Implementation of CEQA, a Tiered Initial Study/Mitigated Negative Declaration was prepared to analyze the potential environmental effects of the proposed Men's Gym Seismic Corrections and Wooden Center Addition.

Financial Feasibility

The total project cost of $37,908,000 will be funded from federal funds ($13,832,000), campus funds ($479,000), and external financing ($23,597,000). Repayment of the external financing will be from the Student Programs, Activities and Resource Complex Fee approved by the students in May 2000 and a portion of the Los Angeles campus' Registration Fee. The Chancellor, in consultation with the Student Fee Advisory Committee, has approved the pledge of the University Registration Fee.

The SPARC fee will also finance a portion of the west side expansion of the Wooden Center, which will be presented at a future date.

Assuming 27-year financing at a 6.5 percent interest rate, the Men's Gym financing of $23,597,000 will have an average annual debt service of $1,877,000, and Wooden West's financing estimated at $12,500,000 will have an average annual debt service of $944,000, for total debt service of $2,871,000. Estimated annual revenue from the SPARC fee of $3,114,000 and additional campus Registration Fees will be sufficient to pay for estimated operating expenses of $595,000 and debt service for both projects in FY 2004-05, the first full year of operation for both projects.

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

6. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND AMENDMENT OF EXTERNAL FINANCING FOR COLLEGES NINE AND TEN RESIDENCE HALLS, SANTA CRUZ CAMPUS**

The President recommended that:

A. With the concurrence of the committee on Finance, the Committee on Grounds and Buildings recommend that the appropriate Budgets for Capital Improvements and Capital Improvement Programs be amended to reflect the following changes:

From: Santa Cruz: A. Colleges Nine and Ten Residence Halls – preliminary plans, working drawings, construction, and equipment – $73,122,000 to be funded from external financing ($67,180,000), University of California Housing System Net Revenue Funds ($4,423,000), University Center Reserves ($1,012,000), gift funds ($400,000), and Student Facilities Fee reserves ($107,000).

To: Santa Cruz: A. Colleges Nine and Ten Residence Halls – preliminary plans, working drawings, construction, and equipment – $82,945,000 to be funded from external financing ($73,503,000), University of California Housing System Net Revenue Funds ($7,923,000), University Center Reserves ($1,012,000), gift funds ($400,000), and Student Facilities Fee reserves ($107,000).

B. The Committee on Finance recommend to The Regents that the financing actions approved by The Regents in September 1991 and amended in March 1999 and May 2000 with respect to Colleges Nine and Ten Residence Halls, Santa Cruz campus, be amended as shown, with the understanding that all other financing actions by The Regents regarding said project remain unchanged:

Deletions shown by strikeout, additions by shading

(1) The Treasurer be authorized to obtain financing not to exceed ~~$67,180,000~~ $73,503,000 to finance a portion of the construction and related costs of Colleges Nine and Ten Residence Halls, Santa Cruz campus, subject to the following conditions:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;

b. As long as the housing portion of the debt ~~($65,542,000)~~ ($71,531,000) is outstanding, UC Housing System fees for the Santa Cruz campus shall be established at levels sufficient to meet all requirements of the UC Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and related requirements on the proposed financing;

c. As long as the student facilities portion of the debt ($1,638,000) ($1,972,000) is outstanding, the Student Facilities Fee shall be established at a level sufficient to meet all debt service and related requirements on this proposed financing;

d. The general credit of The Regents shall not be pledged.

* * *

It was recalled that the University Club project was approved in October 1985 and subsequently amended in July 1986 and March 1987 for a total cost of $1,045,000 to provide a 4,000-assignable-square-foot facility containing a large dining room, three small dining rooms, a lounge, and a kitchen.

In September 1991, The Regents amended the Capital Improvement Program to include the College Nine Residence Halls project at a total project cost of $16,917,000 to provide 400 bed spaces and support space in College Nine residence halls and a kitchen and dining complex.

Subsequent to approval of the College Nine Residence Halls, enrollment and demand for on-campus housing was no longer increasing, and the College Nine Residence Halls project was deferred. Beginning in fall 1996, enrollments began to increase and are expected to continue to rise until the approximately 15,000 three-quarter-average student FTE level is reached. Based on current and projected need for more permanent on-campus bed spaces and the need to incorporate the previously approved University Club, The Regents amended the existing external financing for the College Nine Residence Halls project in March 1999 and amended the CIP to include an entirely new project, Colleges Nine and Ten Residence Halls.

Financing for the Colleges Nine and Ten Residence Halls project was approved in March 1999 at a total project cost of $63,831,000. In January 2000, The Regents approved the design for the project and certified the Supplemental Environmental Impact Report.

In May 2000, The Regents approved an increase in scope, a $9,291,000 budget augmentation, and a $9,291,000 increase in external financing for the Colleges Nine and Ten Residence Halls project. The funding was increased to allow for market conditions for construction in northern California, cost premiums for staging on an extremely difficult site, phasing of the project due to the completion delays of College Nine

Apartments, and a new site for the relocation of modular student housing units. The total project cost was increased to $73,122,000.

A portion of the site for the Colleges Nine and Ten Residence Halls project was occupied by 21 modular housing units that required relocation before construction began, the cost of which was included in the May 2000 augmentation. At the May 2000 meeting, The Regents also certified the modular Student Housing Relocation EIR for a new site and amended the Long Range Development Plan to modify the description of uses permissible in the area designated for the modular student housing units. The modular units have been removed from the site and are temporarily being stored where the new site is being prepared. The modular units are scheduled to be reopened to provide 153 beds for fall 2001.

Project Description

The approved project proposed construction of new residence halls to provide 401 bed spaces in College Nine, 407 bed spaces in College Ten, and support space. The project now includes 820 bed spaces by converting four of the eight live-in staff apartments into student bed spaces. A new dining facility that will serve both Colleges Nine and Ten is also a part of this project and will be located between the new college's residence halls. The dining facility will also contain the University Center, planned to house the University Club. Student recreation spaces for both Colleges Nine and Ten will be housed in the dining facility and in the residence halls.

Need for Augmentation

Based on the bids to construct the proposed facilities, it is proposed that the previously approved funding be increased by $9,823,000 for a new total of $82,945,000. The previously approved budget was based on cost estimates that are not sufficient to cover actual bids received.

Basis of May 2000 Augmentation

The augmentation was based on detailed cost estimates at 50 percent construction documents that had been evaluated by both a cost-estimating firm and independently by a construction management firm that bases pricing on anticipated bid amounts. Unprecedented construction activity in the Bay Area has resulted in a limited pool of bidders on projects. Regionally, high demands for construction materials have resulted in premium pricing for materials such as concrete, steel, and cement plaster. The high demand for skilled workers in the construction trades caused by this boom further contributes to higher costs. Additionally, a revision to Workers' Compensation laws has resulted in increases to insurance from 50 percent to 100 percent depending on the trade and in turn has resulted in a 2 percent overall construction cost increase.

In addition to market conditions, cost premiums for staging, phasing of the College Nine and College Ten Residence Halls, and a new site for relocating the modular student housing units added to the augmentation. The May 2000 augmentation allowed the project to proceed to bid under a multiple prime contract process.

Bid Process

The bidding process has been completed for all bid packages for the project. The campus has worked with the construction manager, executive architect, and cost consultants to implement additional value engineering items and to rebid packages that received few or no bids or for those that were significantly over the estimates. The bidding process indicates the lack of competitiveness in the current Santa Cruz construction market. Despite this intensive effort, an augmentation is still required to complete the project.

Contracts essential to a fall 2001 completion date have been awarded and work has begun.

Scope and Program Deletions Considered

The immediate response to the high bids was a reevaluation of the program and project scope. Potential savings were identified with deletion of residence halls or partial halls, all of which would have resulted in loss of bed space and loss of revenue to fund the project. Other items considered were the elimination of a student lounge and portions of the University Center and dining facility. Some of those items are funded separately and are relatively small spaces that do not save enough on their own to keep the project at its original budget. Moreover, the redesign to eliminate them would be costly and time consuming, and they are spaces that could not physically be added later as more funding became available. For those reasons it was determined they could not be eliminated from the project.

The change in use of some of the apartments originally intended for live-in staff increases the number of student bed spaces in the project from 808 to 820 beds. The added revenue in the project will help to mitigate the impact of this funding augmentation.

Critical Need for Project

Over the last four years, student demand for housing on the Santa Cruz campus and in the local community has surpassed the supply of available housing. The increased demand stems from both campus enrollment and the rental crisis that is being experienced throughout Silicon Valley and the greater San Francisco Bay Area. The situation is further exacerbated by the projection of future enrollment growth.

The Santa Cruz campus has 555 students assigned to overflow or temporary bed spaces that are converted lounges or doubles made into triples. An additional 571 students are on a waiting list for on-campus housing for fall quarter 2000. The 407 beds at College Nine are scheduled for occupancy for fall 2001. The 413 beds at College Ten residence halls are due to be completed by fall 2002. Based on the lack of rental housing in the local community, overcrowded conditions on campus, and high demand, all 820 beds are needed as soon as possible to help meet the demand for on-campus housing. The module relocation portion of the project is also critical because it provides 153 bed spaces in addition to the 820 spaces in the purpose project.

In the last three years the University has added both permanent and temporary bed spaces in order to manage the housing demand. The modular student housing was one of those measures, but in order to accommodate the construction of Colleges Nine and Ten the beds have been taken off-line until fall 2001.

The local community vacancy rate for rental housing continues to be less than 1 percent. The shortage of rental housing is largely caused by job growth in Silicon Valley. The Santa Cruz rental market has absorbed the overflow of full-time professionals seeking rental housing, and rental rates have risen. Off-campus rent for the Santa Cruz campus increased 27 percent from 1996-97 to 1999-00. The Campus Community Rentals Office further reports that the number of rental listings has dropped between 1998-99 and 1999-2000. In 1999-00, there were 18 percent fewer rooms listed and 7 percent fewer units listed with their office as potential rentals for students.

Financial Feasibility

The budget augmentation of $9,823,000 will be funded from UCHS Net Revenue fund and external financing. The revised total project cost of $82,945,000 will be funded from a combination of external financing, UCHS Net Revenue fund, Student Facilities Fee reserves, University Center reserves, and gift funds. Assuming a debt of $73,503,000 amortized over 27 years at 6.5 percent interest, the average annual debt service is estimated at $5,845,000. Of the external financing, $71,531,000 will be for the housing portion to be repaid from UCHS housing fees and University Center revenues, and $1,972,000 will be for the student facilities portion to be repaid from the Student Facilities Fee.

Repayment of the housing portion of the debt will be from student rents in the proposed facilities, fees from UCHS dining facilities, and existing bed spaces and other income generated by UCHS' management of the University Center. Single student room rates for all on campus housing will be increased by $970 per year to $7,742 per year for a single room and $7,016 per year for double rooms. These rates are slightly higher than off-campus housing; however, on-campus provides amenities not offered in any off-campus living situation.

Total campus UCHS revenues will be $49,659,000, and after total operating expenses of $30,524,000, net revenues available for debt service will be $19,135,000, an amount sufficient for debt service requirements for this project and existing financing.

Repayment of the student facilities portion of the debt will be from a $24 per year per undergraduate student Facilities Fee increase, for a total of $278,000. In a 1987 student referendum, students approved an automatic fee increase for up to 4,700 asf in facilities for each new college project. The Student Assembly and Housing Advisory Committee have been consulted during this process.

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

The meeting adjourned at 12:45 p.m.

Attest:

Secretary