

The Regents of the University of California

**COMMITTEE ON GROUNDS AND BUILDINGS
COMMITTEE ON FINANCE**

May 16, 2002

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

Members present: Committee on Grounds and Buildings: Regents Atkinson, T. Davis, Hopkinson, Johnson, Kozberg, Moores, Morrison, and Seymour; Advisory member Sainick
Committee on Finance: Regents Atkinson, Hopkinson, Kozberg, Montoya, Moores, Morrison, and Preuss; Advisory member Ligot-Gordon

In attendance: Regents Blum, Davies, Lansing, Lozano, Marcus, and Sayles, Regent-designate Terrazas, Faculty Representatives Binion and Viswanathan, Secretary Trivette, General Counsel Holst, Treasurer Russ, Provost King, Senior Vice President Mullinix, Vice Presidents Broome, Doby, Gomes, and Hershman, Chancellors Berdahl, Bishop, Carnesale, Cicerone, Dynes, Greenwood, Tomlinson-Keasey, Vanderhoef, and Yang, Acting Chancellor Warren, and Recording Secretary Bryan

The meeting convened at 9:10 a.m. with Committee on Grounds and Buildings Chair Kozberg presiding.

1. REPORT ON THE GOVERNOR'S REVISION OF THE 2002-03 BUDGET AND THE IMPACT ON THE 2003-04 BUDGET

Vice President Hershman reported that the Governor had taken a balanced approach to dealing with a \$23.5 billion State budget deficit, respecting as many of The Regents' priorities as he could and protecting the University's core instructional budgets. The Governor's May revision is expected to move through Legislative hearings quickly. Because so many of the issues are very controversial and will require negotiation, it is likely that the major decisions concerning allocations will be made by the Budget Conference Committee.

Mr. Hershman reported that the State deficit has continued to grow, despite recent indications that the economy is recovering. While California personal income is projected to grow by 5.5 percent this year and by 6 percent next year, there has been a tremendous decline in capital gain and stock option revenues. In 1995, State General Fund revenue from capital gain and stock option income was \$2.5 billion. Last year it had grown to \$17.5 billion. The Governor is projecting \$8 billion for this year and \$7.2 billion next year.

Mr. Hershman recalled that in the January budget the Governor had proposed budget cuts of just over \$5 billion for this year and next. That increased to nearly \$9 billion in his May revision. He has indicated that revenue will be raised through a number of strategies, including the establishment of a higher cigarette tax, that overall will amount to about \$4 billion. The State had reached an agreement with the tobacco companies, against which the Governor had decided to borrow \$2.4 billion. He has raised that to \$4.5 billion. Some fund shifts in federal money are being contemplated, and debt is being restructured. These endeavors together add up to about \$24 billion, and although all will be controversial, Mr. Hershman believed that the Governor and his advisors had done a remarkable job in balancing the budget cuts.

Large amounts of borrowing will affect the 2003-04 budget also. It will be difficult for the University to get even normal workload increases that year.

Mr. Hershman explained the actions on the budget in detail, recalling that the mid-year budget cuts had been discussed previously with the Regents and that the Legislature had approved what the Governor had proposed. The Governor's January budget included a change in the Governor's partnership with the University which provided only 1.5 percent for merit increases and other cost increases. Although the merit increase money remained in the budget in his May revision, it will leave the University short by about 7.5 percent for faculty and staff salaries. Funding for enrollment growth, which Mr. Hershman believed was critical, remained at \$5.4 million. Funding for UC Davis summer session remained at the normal amount of money per student. Although the Governor had hoped to preserve the budget for research, he found it necessary finally to reduce its funding, but he gave the University some discretion as to where the cuts would be made. Research programs that have been added recently will likely receive the largest of the cuts. It is also likely that there will be no further expansion in the K-12 Internet budget. Cuts in K-14 outreach will eliminate nearly all programs funded in the last few years, a proposal that is likely to generate prolonged debate in the Legislature. Mr. Hershman observed that the Governor's proposed budget is situated precariously from a political point of view. Although there may be some shifting of the proposed cuts, he was not optimistic that the University could get more money.

Mr. Hershman reported that the \$20 million the University needs to run its California subject matter projects for teacher professional development was funded, but that core needs related to deferred maintenance, libraries, equipment, and instructional technology were cut by \$29 million. The Professional Development Institutes could still receive an increase in funding because of additional federal money.

With all these adjustments, the University ends up with a budget of \$3.2 billion, a loss of about \$150 million. Mr. Hershman believed that the three cuts of most concern were those in research, K-14 outreach, and core needs. He noted that, outside the University, the California Postsecondary Education Commission was drastically diminished in size and K-14, which was overfunded, had its allocation reduced by

\$2 billion in the current year. The community colleges were mainly unaffected, but the California State University sustained cuts similar to UC's in core needs, outreach activities, and K-12 programs. Legislation was secured, however, on the California Institutes for Science and Innovation that provides full funding for capital, shifting \$90 million of current General Fund money to lease-revenue bonds and appropriating an additional \$218 million. Also, the Governor's economic stimulus package bill was approved, providing lease-revenue bonds for a number of capital projects urgently needed by the University, including funding for UC Merced that will cover its first set of buildings. Overall, the capital budget was good.

Mr. Hershman discussed strategy for the next two years. He predicted that it would require an increase of 8 percent for the State to provide full support for the partnership and enrollment and to restore the one-time \$29 million cut. State employees are scheduled for a 5 percent pay increase for 2003-04; he hoped that the University could receive a similar amount. He stressed the importance of getting the money for research and outreach restored. The basic partnership has not been funded properly for the last two years and also needs to be restored. He doubted there would be many increases in 2003-04. Concerning capital, the November bond issue specifies the amounts of money that will be available to the education segments. If it is passed, the University will have about \$320 million remaining in its bond fund pool.

Regent Montoya asked whether the summer teaching institutes such as the one at UCLA would be continued. Mr. Hershman responded that teacher professional development programs would continue but would likely be funded partially by federal money. She asked what community college outreach is left in the budget and whether a fee increase for professional students was likely. Mr. Hershman reported that community college outreach was protected, and he emphasized that the Governor wished to avoid fee increases this year. Efforts will continue on setting a fee policy.

President Atkinson then invited Mr. Kenny Burch, Chair of the UC Student Association, to speak. Mr. Burch noted that, although he commended the Governor for making higher education a priority in his budget, he was concerned about the cuts to the University's outreach programs and the possibility that fees will be increased. He reported that the ASUC had formed a coalition with CSU and community college students to emphasize to legislators the importance of higher education. He noted that its report, *Dispelling the Myths, the True Cost of Attending the University of California*, had been distributed to all Regents. He recalled that when the University was established, admission and tuition were free to all residents of the state. Eventually, fees were imposed to cover health costs and student services. Between 1990 and 1995, those fees increased by over 150 percent. He noted that, although fees had always been used for healthcare, student services, and basic and core instructional needs, they had never been used for research or public service. He described myths included in the report, for example, that it is less expensive to attend the University than it was a decade ago, that it is a bargain compared to similar institutions, and that

raising fees will not affect students significantly. He hoped that the Regents would consider the report carefully.

Regent Davies commented that, although he believed it was a policy blunder not to raise student fees, he was grateful that the University had been protected from budget cuts that could have been deeper than the ones reported. Regent Hopkinson agreed, noting that basic programs had been protected and enrollment growth had been funded.

Regent Lozano expressed the hope that Mr. Hershman would urge the Governor and the Legislature to find ways in which the University's outreach programs could be protected. She asked about the status of the Cal Grant program. Mr. Hershman responded that it was an entitlement and had been protected. In response to a further question, Mr. Hershman affirmed that, although the dual admissions program was not funded, it remained a high priority for the University.

Regent-designate Terrazas believed that one of the priorities for the future should be to avoid increasing student fees.

In response to a question from Regent Blum, Mr. Hershman reported that revenues were \$7 million from educational, registration, and professional schools fees. Regent Blum believed that, in light of this relatively small sum and the size of the deficit, even a 10 percent increase in fees would not help much. Mr. Hershman commented that that issue was whether fee increases should be guided by a sensible long-term plan.

Regent Seymour commented that the University should explore every alternative to attract alumni to assist in outreach.

Committee Chair Kozberg asked about the possibility of fitting into Proposition 98 dollars the University's programs that enrich K-12. Mr. Hershman responded that many of them were designed to be matching programs between the University and the schools. Any shift in that agreement will need to be worked out jointly.

Regent-designate Ligot-Gordon asked what research programs would be affected by budget cuts. Mr. Hershman reported that they would affect some programs established by the Legislature and some by the University, including the alcohol and drug program at UCSF, the M.I.N.D. Institute, the brain injury program at UCLA, the Labor Institutes, spinal cord and lupus research, University programs in Mexico, and many more. The University will evaluate the programs individually to determine how to allocate the cuts. Regent-designate Ligot-Gordon posed a further question about outreach programs. Mr. Hershman recalled that those programs advanced by the Governor have been eliminated, including, among others, the UC partnership with K-12 schools and the Central Valley effort. It remains to be determined whether funds can be shifted to keep some programs going. Puente and Mesa were funded at nearly

100 percent. The Outreach Task Force may take a role in prioritizing the budget cuts in outreach programs.

2. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM FOR HEARST MEMORIAL MINING BUILDING SEISMIC AND PROGRAM IMPROVEMENTS, BERKELEY CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended to reflect the following changes:

From: Berkeley: Hearst Memorial Mining Building Seismic and Program Improvements – preliminary plans, working drawings, construction, and equipment – \$80,615,000 to be funded from State funds (\$34,442,000), gifts (\$33,158,000), and campus funds (\$13,015,000).

To: Berkeley: Hearst Memorial Mining Building Seismic and Program Improvements – preliminary plans, working drawings, construction, and equipment – \$90,615,000 to be funded from the State (\$34,642,000, including \$200,000 through the California Institutes for Science and Innovation), gifts (\$42,958,000), and campus funds (\$13,015,000).

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described in A. above.

It was recalled that The Regents had approved a building seismic and program improvements project in October 1993, at a total budget of \$51.21 million, to renovate the 72,552 asf Hearst Memorial Mining Building (HMMB). The project as proposed was to correct serious seismic deficiencies and to provide modern teaching and research facilities for the then-named Department of Materials Science and Mineral Engineering (MSME), a department of the College of Engineering.

A revised approach to the design was developed during the preliminary plans phase of the project to give greater weight to preservation issues and bring the building closer to its original form and character. Largely as a result of this emphasis on preservation and restoration, which was consistent with the Environmental Impact Report for the project, an increase in the project budget to \$67.6 million was approved by The Regents in July 1997. A second increase was required to address higher costs brought about by the difficult competitive bid environment, delays caused by weather,

and unforeseen conditions related to the historic fabric of the building and decades of undocumented modifications. The Regents approved an augmented budget of \$80,615,000 in July 2001. Both augmentations were funded from non-State sources.

A combination of time-driven factors and additional unanticipated change orders have increased the cost of the project by an additional \$6.5 million; however, the permanent space needed for the Department of Materials Science and Engineering, as it is now known, has decreased. At the same time, space is required to house the Center for Information Technology Research in the Interest of Society (CITRIS). It is proposed to redirect 17,325 asf in HMMB, approximately one-fourth of the building's area, to serve the CITRIS program. In addition to the \$6.5 million needed to complete the project for any occupant, \$3.5 million will be used to implement change orders to modify the space from the original design and to purchase equipment for CITRIS.

Change in the Building Program

Since the project began, the academic program of the chief occupant of HMMB, MSME, has changed significantly and the department has been reorganized and renamed the Department of Materials Science and Engineering (MSE). The department's faculty has been reduced from twenty-one to fourteen, reflecting a programmatic change in the field as the focus of materials sciences research has shifted from large-scale mining and mineral sciences to smaller-scale materials sciences, including nanoscience and nanoengineering. This change creates an opportunity to incorporate the CITRIS program into the HMMB renovation plan.

The goal is to create a focal point in HMMB for collaborative research, with meeting space and shared lab facilities that will bring researchers from a variety of areas. Components of the CITRIS program will be located initially on all four levels of the building and will include special laboratories, faculty and student support space, the Berkeley Institute of Design, and CITRIS administrative headquarters.

CITRIS Functions Located in HMMB

In total, 17,325 asf will be assigned to CITRIS and will include a nanotechnology imaging laboratory and a nanotechnology interface laboratory, where the features of a collaborative research work space and a graduate teaching laboratory will be combined. The Berkeley Institute of Design will establish an interdisciplinary research program that will require the renovation of third-floor space. Space on the fourth floor will need renovation in order to provide graduate student computational workspace for CITRIS.

Meeting rooms located immediately next to the main floor lobby of HMMB that will be used to support the CITRIS administration will require upgrading. Adjacent space will be the initial home for the CITRIS administrative center and will require new finishes and furnishings.

Project Cost

A number of factors, some specific to the project and some characteristic of the construction market at the time of bidding, should be considered when reviewing comparable project costs in connection with Hearst Memorial Mining Building.

Seismic safety is provided in the project by the use of the base isolation technique. This method increases construction cost in comparison to more traditional methods of providing seismic resistance while providing a significantly higher level of seismic performance. Another very significant factor is that the building is extremely close to an active fault, which increases the seismic demands on the structure and results in higher cost. Also, the HMMB site is constrained by adjacent buildings and has difficult access to surrounding streets on all sides.

The HMMB project was bid in 1999, a year in which the San Francisco Bay Area experienced severe construction cost escalation owing to extremely high demand in both the public and private sectors. A 17 percent rise in aggregate construction costs over the previous year accounted for a substantial portion of the project cost increase. Other factors were unanticipated existing conditions in the building's original construction and delays that the contractor attributes to excavation difficulties.

Financial Feasibility

The total project cost is proposed to be funded from gifts, campus funds, and the State, including \$200,000 through the California Institutes for Science and Innovation. The campus has raised or designated gifts totaling \$36,866,000 to fund the facility.

In compliance with Regents policy that all funds necessary to complete construction are to be in hand, campus funds have been advanced to cover pledges to be collected and gifts to be raised. The campus will be repaid as additional gifts are received. Most of the space will be completed for occupancy in July 2002. The nanotechnology laboratory will be completed in spring 2003.

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

3. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM FOR COGENERATION ADDITION TO THE CENTRAL PLANT, IRVINE CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended to include the following project:

Irvine: Cogeneration Addition to the Central Plant – preliminary plans – \$1.4 million to be funded from campus funds.

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described above.

The Committees were informed that the Irvine campus proposes to purchase and install cogeneration equipment in an addition to be constructed adjacent to the existing Central Plant, which serves main campus utility needs. The electricity generated will be used to meet UCI's electrical needs, while the steam will be used to heat campus buildings and to generate chilled water for air conditioning.

The decision to pursue cogeneration is an extension of UCI's focus on providing reliable and economical electrical services to campus users. The operation of cogeneration equipment will reduce purchased utility costs by an estimated \$2.5 million to \$5.8 million annually. Cost savings are generated due to the efficiency of generating two usable forms of energy from one raw material input, natural gas. Additionally, cogeneration will provide higher quality power and a more reliable power infrastructure than is currently available in the California utilities market.

Project Description

The cogeneration facility will generate between 27 and 30 peak megawatts of electricity and up to 98,000 pounds of steam per hour. At the time of project completion, this capacity will approximate the campus's peak electrical demand. The campus will continue to generate steam with existing, conventional boilers at times when demand exceeds cogeneration steam output.

Elements of the proposed project include the installation of two 10.5 MW gas combustion turbine generators, emission control systems, steam recovery generator, electrical control system, and related support systems; the installation of a steam-turbine generator (peak output 6.5 MW); and the construction of an extension to house equipment that cannot be exposed to the elements.

Construction of the Cogeneration Addition project is expected to commence in summer 2003 and to be completed in 2005.

CEQA Classification

In accordance with the California Environmental Quality Act and University procedures for implementation of CEQA, an appropriate environmental document will be presented at a future meeting for consideration by The Regents in conjunction with project design review.

Funding Plan

The estimated project cost of the proposed cogeneration addition, estimated at between \$38 million and \$43 million, will be funded from external financing. The initial funding of the preliminary plans phase will be from campus funds that will be replaced with external financing following Regental financing approval and approval from the State of California. Repayment of the external financing will be from the portion of the University's annual State appropriation for the purchase of utilities on the Irvine campus for State-supported space and from utility recharges to campus auxiliary enterprises for non-State supported space. Purchased utility cost savings are projected to exceed the operating and capital costs for the project.

Future Regental and Other Actions

After Regental approval of the action, the University will request approval from the State of California to expend State funds toward the debt service for the project. This approval, known as a Section 28 exemption, will be required before the financing may be obtained.

The campus will return to The Regents to request the amendment of the Budget for Capital Improvements and the Capital Improvement Program for the total cost of all phases of the project and the approval of financing.

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

4. AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING, COURT OF SCIENCES BUILDING, LOS ANGELES CAMPUS

The President recommended that:

- (1) Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended to include the following project:

Los Angeles: CNSI Court of Sciences Building – preliminary plans, working drawings and construction – \$149,100,000 to be funded from the State through the California Institutes for Science and Innovation program (\$61,175,000), external financing using the Garamendi funding mechanism (\$50,000,000), and in-kind gift funds (\$37,925,000).

- (2) The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project, as described above.
- (3) The Committee on Finance recommend that the President be authorized to obtain financing not to exceed \$50 million to finance the CNSI Court of Sciences Building project, 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. Repayment of the debt shall be from the Los Angeles campus' share of the University Opportunity Fund; and
 - c. The general credit of The Regents shall not be pledged.
- (4) 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.
- (5) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

It was recalled that the Los Angeles campus proposes to construct a research laboratory and administrative headquarters facility for the California Institutes for Science and Innovation, California NanoSystems Institute (CNSI). The proposed CNSI Court of Sciences Building will represent approximately 117,652 asf of new

construction and related non-research equipment (\$100.3 million) and research equipment (\$48.8 million), at a total cost of \$149.1 million.

In January 2001, The Regents amended the Capital Improvement Program and Budget for Capital Improvements to include, for preliminary plans only, the CNSI Court of Sciences Building and the CNSI/Engineering 1 Replacement Building projects, as they were called then, as part of the California Institutes for Science and Innovation program. Since that time the two projects have been combined.

The California NanoSystems Institute is one of four new California Institutes for Science and Innovation established to promote basic research discoveries into new applications and other innovations that will lead to new industries, businesses, and jobs in California. Nanosystems research will build on the major achievement of 20th century science that developed a quantitative picture of very small structures of just a few atoms and a qualitative picture of large solid structures. In the 21st century, technological advances will arise from an understanding of how to bridge these two scales to manipulate, control, and manufacture systems which derive their form and function from interacting assemblies of molecular- and macromolecular-scale components.

CNSI will explore the power and potential of manipulating structures at the nanometer scale (one-billionth of a meter) to engineer new materials, devices, and systems. The ability to design atomically precise nanostructures and to integrate them into complex systems will allow for the creation of structures-by-design with idealized properties far beyond those found in nature. This research will lead to scientific advances that will revolutionize virtually every aspect of the quality of life, including medical and health care delivery, information technologies, and the environment.

CNSI will bring together the required people, knowledge, and resources to exploit the technological and economic promise of nanosystems. The Institute will focus the efforts of national lab and industrial researchers, practitioners, mathematicians, biologists, engineers, physical scientists, students, educators, and policy makers. The collaborative work environment will provide unique, forward-looking scientific resources for sustained discovery; will serve as an incubator of ideas; and will serve to expedite the transition of visionary ideas to bring nanosystems innovations to the marketplace.

Project Description

The CNSI Court of Sciences Building will be a seven-level structure with four above-grade and three below-grade levels comprising 117,652 asf of new construction. The building will be located on the west side of the Court of Sciences on a site south of Boelter Hall, east of Parking Structure 9, and north of the Life Sciences Building and the site for LaKretz Hall. The main entrance will be from the Court of Sciences.

The building will include wet and dry research laboratories and shared support facilities designed for basic and applied multidisciplinary nanosystems research; imaging and fabrication facilities, technology transfer laboratories, and specialized laboratories; animal holding quarters; data center; auditorium and meeting rooms; research offices; and the Institute's administrative offices. The building will accommodate approximately 227 individuals.

The building's laboratories will have a modular and flexible design to accommodate changing operational requirements over time. Specialized laboratories will include Magnetic Resonance Imaging and other small animal imaging facilities. A fabrication facility will include a clean room designed to support integrated research. Other specialized laboratories will include a cyclotron for the development of radioactive therapies; biosafety level 3 containment laboratories; technology transfer laboratories for use by visiting scholars and researchers from national laboratories; and animal holding quarters.

Private offices on the upper floors will be provided for faculty, with workstations for clerical support. Meeting rooms and break areas will be provided throughout the building to promote interaction among researchers.

Other facilities will include a data center, administrative offices, and building support space. The data center will support the Institute's education, theory, modeling, imaging, and visualization needs. Administrative offices will include executive staff space, conference rooms, and office support space. Event space will include a 200-person auditorium with distance learning media capabilities, and an exhibition space for the display of research work. A loading dock will accommodate storage and holding areas, a mail room, and a receiving office.

The scope of work will include site clearance, excavation, and construction to integrate the new building with the Court of Sciences and preserve access to and from the parking structure; improvements to the service alley; and provision of utilities. Construction will commence in October 2002, with a scheduled completion by December 2004.

CEQA Classification, LRDP and Design Approval

In accordance with the California Environmental Quality Act, and 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 CNSI Court of Sciences Building project. This document will be presented to The Regents for review at the time of project design consideration. The project is in compliance with the current, approved campus Long Range Development Plan.

Financial Feasibility

The total project cost of \$149.1 million will be funded from State funds through the California Institutes for Science and Innovation program (\$61,175,000), Garamendi financing (\$50,000,000), and in-kind gift funds (\$37,925,000).

The total project cost includes \$100.3 million to construct the building, including \$3 million for non-research related equipment and \$48.8 million for research equipment. Preliminary planning, working drawing, construction costs, and non-research related equipment will be funded from \$50.3 million of State funds through the California Institutes for Science and Innovation program, and the Garamendi financing. The scientific equipment will be funded from \$10.875 million of State funds through the California Institutes for Science and Innovation program and \$37.925 million of donated in-kind gifts.

The campus will take receipt of all of the donated in-kind gifts no later than June 30, 2004 in order to qualify as matching funds for the State's support of the California Institutes of Science and Innovation.

Estimated annual debt service for the Garamendi financing at 6.125 percent for 25 years is \$3,832,300. In fiscal year 2005-06, the first full year of occupancy, 50.8 percent of Opportunity Funds are pledged for debt service. The Los Angeles campus is within the guidelines governing the pledging of campus Opportunity funds for all projects. Although it is not anticipated there will be early year shortfalls, the Government Code allows these to be reimbursed in future years recognizing that as research buildings are completed, faculty will be coming on-line gradually. If shortfalls occur on a project-to-project basis, the campus' share of the University Opportunity Fund will provide the amounts required. If the shortfalls occur throughout the first three full years of occupancy, the campus may be reimbursed from additional overhead that is generated in later years.

In compliance with Regental policy, all funds necessary to complete construction will be in hand prior to issuing the project for bid.

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 FOR MEDICAL CENTER HILLCREST SEISMIC IMPROVEMENTS, PHASE 2, SAN DIEGO CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended to include the following project:

San Diego: UCSDMC Hillcrest Seismic Improvements, Phase 2 – preliminary plans, working drawings, and construction – \$43,454,000 to be funded from State lease revenue bond funds (\$36,626,000) and hospital reserves (\$6,828,000).

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include this project as described above.

The Committees were informed that the UCSDMC Hillcrest Seismic Improvements, Phase 2 project will correct seismic deficiencies to meet the 2008 deadline requirement of Senate Bill (SB) 1953 in the Main Hospital building at the UCSD Medical Center and three associated facilities: the Central Plant (comprising the Boiler Plant and Chiller Plant), the Telecommunications Building, and the Utility Tunnel. The majority of work proposed by the project is non-structural, involving bracing and anchoring of equipment and systems serving acute-care areas of the hospital.

In November 2000, The Regents were provided summary information regarding capital improvements required at each of the five University of California Medical Centers to satisfy seismic safety mandates established by the Legislature in SB 1953. The 2000 State Budget Act included \$600 million of lease revenue bonds to be issued by the State Public Works Board (SPWB) to provide the medical centers of the University with funding for the reconstruction projects that would be required to comply with SB 1953. Of the \$600 million, UCSD Medical Center has been allocated \$40 million. The allocation was made in parallel with an allocation of State funds for non-seismic capital improvement projects.

Project Description

The majority of work proposed by the UCSDMC Hillcrest Seismic Improvements, Phase 2 project is related to upgrading the non-structural systems, with a focus on the acute-care facilities in the hospital. Two structures, the Chiller Plant in the Central Plant facility and the Utility Tunnel, require structural upgrades. Each facility to be addressed by this project is discussed separately below.

Hillcrest Main Hospital

The Main Hospital at Hillcrest, completed in 1960 as a county-operated hospital, requires the majority of SB 1953 compliance expenditures. The hospital has undergone numerous renovations and two additions since it was purchased by the University in 1981. The Main Hospital Link/Elevator Tower and the South Wing are compliant with SB 1953 criteria for 2008.

The Main Hospital building, which was structurally upgraded in the early 1990s to meet University of California life-safety seismic standards and through the Main Tower Column Fiber Wrap project, requires no structural modifications until 2030. The UCSDMC Hillcrest: Building Systems Improvements project, approved in May 2001, will provide infrastructure upgrades to portions of the building's systems distinct from seismic upgrades.

The UCSDMC Hillcrest Seismic Improvements, Phase 2 project will provide non-structural improvements required in the Main Hospital to meet 2008 standards for utility equipment and systems located throughout the entire hospital. The total area affected by this project is approximately 350,000 gross square feet. Most of the construction in the hospital will be done during off-peak hours. In a few areas where the impact on daily operations is less, work can be done during regular working hours. For select critical areas, the disruptions of construction work are too great and cannot be mitigated. The functions in these areas will be permanently relocated within the hospital.

Significant additional work will be required to meet the 2030 requirements of SB 1953. The Medical Center is in the process of preparing a long-term development plan to ensure effective use of resources.

Hillcrest Central Plant

The Central Plant at Hillcrest, comprising the Boiler Plant and the Chiller Plant, was originally designed in 1959. The main emergency power system and generator for the Hillcrest campus, which are located in the Chiller Plant, were upgraded in size and reliability in 1989. The Boiler Plant underwent a major electrical renovation in 1996.

The Boiler and Chiller Plants both require non-structural upgrades that will be undertaken with this project. The Chiller Plant, a one-story lightly framed steel building constructed in the early 1960s, also requires a structural upgrade to meet 2008 requirements. The upgrade will involve adding longitudinal bracing to the structure with associated foundation work to allow transfer of lateral forces to the ground.

Hillcrest Telecommunications Building

The Telecommunications Building, which was completed in 1986, contains the main telephone system for Hillcrest, campus fire alarm monitoring consoles, and data systems serving the Main Hospital, South Wing, West Wing, and Outpatient Clinic. It also contains the trauma team paging, radiology department dictation, and the voice mail systems for the Hillcrest Main Hospital and Thornton Hospital. This facility has dedicated normal power service originating from the Hillcrest Central Plant and a stand-alone generator for emergency power.

The Telecommunications Building does not require any structural modifications until 2030. However, various electrical components and the fire protection piping, gas piping, and water heater need bracing to prevent damage to critical hospital operations.

Utility Tunnel

The Utility Tunnel will be structurally upgraded, and the utilities will be anchored and braced. Although some work will be carried out inside the hospital, coordination with the City of San Diego will be an integral part of the project, as a significant portion of the work is expected to require excavation across Dickinson, a public street.

Medical Center Funding - Lease Revenue Bonds

As in previous State Public Works Board funding for other University projects since the mid-1980s, SPWB will lease the hospital site from The Regents and issue State lease revenue bonds to finance all or a portion of the costs associated with seismic upgrading required for compliance with SB 1953. The University will build or renovate the project under an agreement with the SPWB. The SPWB will retain ownership of the facilities constructed or renovated through the earlier term of the lease or full repayment of the SPWB bonds used for the project, after which ownership will be passed to the University. The University will pay rent to the SPWB for those facilities constituting the revenue from which the SPWB would repay interest and principal on the obligations of the SPWB issued to refinance the facility. Negotiations between the University and the Department of Finance will determine the repayment arrangements on the debt service, which could be made from hospital revenues, State funds, or some combination thereof.

If the Legislature fails to appropriate sufficient funds to make the rental payments, The Regents is obligated to pay rent from any lawfully available funds. When the obligations are retired, the site and facility leases will terminate and The Regents will obtain clear title to those facilities.

CEQA Classification

In accordance with University of California procedures for implementation of the California Environmental Quality Act of 1970 (as amended), this project is classified Categorically Exempt, Class 2.

Financial Feasibility

The total project cost for the UCSDMC Hillcrest Seismic Improvements, Phase 2 will be funded by State lease revenue bonds and hospital reserves. Hospital reserves funding will be provided for temporary relocations of occupants during the construction period, construction of surge space, accessibility upgrades, and the demolition of utilities.

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, CANCER CENTER FACILITY, SAN DIEGO CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended as follows:

From: San Diego: UCSD Cancer Center Facility – preliminary plans, working drawings, construction, and equipment – \$87,109,000 to be funded from gifts (\$67,879,000) and external financing (\$19,230,000).

To: San Diego: UCSD Cancer Center Facility – preliminary plans, working drawings, construction, and equipment – \$104,840,000 to be funded from gifts (\$41,200,000) and external financing (\$63,640,000).

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include the project, as described above.
- C. The President be authorized to obtain external financing not to exceed \$19,230,000 to finance the project listed in A. above, 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 gross revenues of the UC San Diego Medical Center funds.
- D. The President be authorized to obtain external financing not to exceed \$44,410,000 to finance the project listed in A. above, 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 UC San Diego campus' share of the University Opportunity Fund.
- E. The President be authorized to obtain standby financing not to exceed \$27.2 million prior to awarding a construction contract for any gift funds not received at that time and 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 gift funds, and in the event gift funds are insufficient, from the UC San Diego campus' share of the University Opportunity Fund.
- F. The general credit of The Regents shall not be pledged.
- G. 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.
- H. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

It was recalled that at the July 2000 meeting The Regents approved the Cancer Center Facility project for the San Diego campus at a total project cost of \$87,109,000 to be funded from external financing (\$19,230,000) and gift funds (\$67,879,000). In September 2000, The Regents approved the design for the project and adopted the Final Initial Study/Mitigated Negative Declaration. The project consisted of approximately 149,000 asf of clinic space, research laboratories, and support, offices, and shell space and associated underground parking for the clinic.

Project Description

By housing cancer research, clinical trials, and clinical programs under one roof, the facility will promote an integrated, cohesive environment. The research laboratories will be designed with maximum flexibility to support a broad range of research disciplines. The clinic spaces will be designed to be convertible to accommodate a variety of needs, such as patient exam rooms, treatment and procedure rooms, and offices. Appropriate amounts of circulation and lobby space will be included in the Facility program in order to accommodate the large volumes of patient and visitor traffic generated by the clinic, public education, Cancer Prevention and Control, and clinic trials functions.

Need for Amendment

The amendment to The Regents' approval of July 2000 will do the following:

- Complete tenant improvements in space originally planned to be shell;
- Delete the underground parking and include a surface parking lot;
- Build additional assignable square footage; and
- Cover the increased costs and replace a portion of gift funds with external financing.

It was noted that the amendment will allow the project to accommodate more research activity by building out two levels of research space originally envisioned as shell. Other proposed scope changes will result in a total net increase of 9,000 asf. These scope changes occurred through the design phase of the project, as program requirements were further developed and space needs changed based on space layouts, operational considerations, and adjacency requirements.

Further, 130 parking spaces planned for construction in the basement of the building will be replaced with approximately 120 surface parking spaces near the building. By altering the parking accommodation plan for the facility from underground to surface parking, the project was simplified structurally, and approximately \$3 million in savings was realized, while still providing nearby parking for the facility's patients and visitors.

Approval of the project amendment is critical, as the campus has made a commitment to the National Cancer Institute (NCI) to build a comprehensive, regional cancer center in San Diego. NCI designation provides for essential operating and program funding and for the recruitment and retention of top-tier faculty and researchers. Current and anticipated recruitments of researchers slated to be located off campus make the need to build out the shell space crucial. Doing so now will be cost effective and eliminate disruption to occupants.

The project as amended will be bid in June 2002, with construction to commence in September 2002 and be completed in October 2004.

Change in Fund Source

The July 2000 Regents' action identified the following fund sources:

- Gift-funded component of \$67,879,000 for the research portion of the facility (with \$20,900,000 in standby financing and \$22,979,000 in interim financing);
- Long-term financing of \$19,230,000 for the clinic portion of the facility.

Gift Funds

The campus has secured approximately \$50 million in gift pledges, including \$21 million in cash in hand. Of this amount, \$6.1 million was required for two related projects: road improvements and utilities infrastructure to support the facility. These related projects were approved separately due to their earlier project schedules. In addition, other costs will be covered with these gift funds, including gift assessments and interest costs accrued on any standby financing after the completion of the project. Therefore, the gift funds associated with the capital costs of this project are \$41.2 million. As of March 1, 2002, the status of the gift campaign for this project is as follows:

Gifts In Hand	\$14,000,000
Gifts Pledged	<u>27,200,000</u>
Total	\$41,200,000

As the remaining gift funds will be collected over time, standby financing is requested in order to meet Regental policy to have funds on hand when the bid is awarded. After other costs are subtracted, the campus will have \$14 million of gift funds in hand for the Facility at the time of bid award. An increase in standby financing to \$27.2 million from the originally approved amount of \$20.9 million will support the remainder of pledges to be collected during the construction phase and after completion. As gift funds pledged for this facility are received, the campus will prepay the principal amounts outstanding on the standby financing.

Long Term External Financing

Campus-funded

Given the economic climate and the need to move forward with construction, the campus will secure long-term financing for the remainder of the research portion of the facility (\$44,410,000) that includes the additional costs as described in the amendment. The financing will be repaid from the campus' Opportunity Funds. The campus will continue to seek additional gift funds for the facility and for program needs.

Medical Center-funded

Funding for the clinic portion of the project is consistent with the July 2000 Regents' action, and the campus does not request any change to the \$19,230,000 in long-term external financing approval to be funded by the Medical Center. The clinical activities to be consolidated in the Cancer Center are continuing to meet the objectives outlined in a comprehensive business plan developed in fiscal year 2000. The plan generates sufficient revenue to meet or exceed debt repayment requirements.

CEQA Compliance

In September 2000, The Regents approved the design for the project and adopted the Final Initial Study/Mitigated Negative Declaration in accordance with University of California guidelines for the implementation of the California Environmental Quality Act of 1970. The changes to the project are within the scope of the environmental document analysis. Adequate parking is available in the vicinity.

Financial Feasibility

The revised total project cost of \$104,840,000 will be funded from a combination of external financing by the Medical Center, the campus' share of University Opportunity Funds, and gifts. Assuming Medical Center debt of \$19,230,000 amortized over 27 years at 6.125 percent interest, the average annual debt service is estimated at \$1,474,000 and will be repaid by the revenues of the Medical Center. Assuming campus debt of \$44,410,000 amortized over 27 years at 6.125 percent interest, the average annual debt service is estimated at \$3,404,000 and will be repaid from the San Diego campus' Opportunity Fund.

The campus is within the prescribed Opportunity pledge and payment limits. In FY 2005-06, the first full year of occupancy, 61 percent of Opportunity Funds are pledged for debt service.

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

7. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL FINANCING, SAN CLEMENTE STUDENT HOUSING, SANTA BARBARA CAMPUS**

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program be amended to include the following project:

Santa Barbara: San Clemente Student Housing – preliminary plans, working drawings, construction, and equipment – \$116,702,000 total project cost to be funded from external financing (\$114,702,000) and Santa Barbara campus UCHS Net Revenues (\$2,000,000).

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to include the project, as described above.
- C. The Committee on Finance recommend that the President be authorized to obtain financing not to exceed \$114,702,000 to finance the San Clemente Student Housing 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) As long as this debt is outstanding, University of California Housing System fees for the Santa Barbara campus shall be established at levels sufficient to meet requirements of the UC Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and related requirements of the proposed funding.
 - (3) The general credit of The Regents shall not be pledged.
- D. 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.
- E. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

The Committees were informed that the Santa Barbara campus will design and construct 328,145 asf of new graduate and upper division student housing which includes 962 beds for students, 10 beds for housing staff, and 4 beds for on-site

managers, for a total of 976 bed spaces. The new development will also consist of a 283,550 gsf parking facility for 976 spaces, as well as associated support facilities. In total, the project will encompass 665,354 gsf.

Statement of Need

To address a mounting student housing need, the 1990 LRDP established a campus goal of providing a total of 6,069 university-owned bed spaces for both graduate and undergraduate students, approximately 30 percent of on-campus enrollment. Presently, the campus' total housing inventory consists of 4,166 beds. Of the existing inventory, 2,670 are residence hall beds reserved for freshmen and sophomores. The remaining 1,496 beds are in apartment-style housing. Graduates, upper-division undergraduates, and students with families compete for this limited supply.

The UC Campus Student Housing Survey, prepared by the Santa Barbara campus Housing Department, estimates that as of fiscal year 2001-02, the available supply of apartment beds satisfies roughly 59 percent of the housing demand. Specific to the graduate student population, in fall 2001 the campus provided housing to 646 graduate students and maintained a waiting list of an additional 518, meeting only 55 percent of demand. Existing apartment-style housing for upper division and graduate students can accommodate a maximum of 12 percent of the current graduate and upper-division undergraduate student population.

With the San Clemente project, the campus apartment-style housing inventory will reach 2,468, narrowing the supply-demand deficit in apartment bed spaces from 2,205 to 1,471 when the facility is opened in September 2005.

CEQA Compliance

In accordance with University procedures for the implementation of the California Environmental Quality Act of 1970, an Environmental Impact Report will be prepared to determine potential environmental impacts of the project. The campus will also amend its 1990 Long Range Development Plan to incorporate the building site and bed count. Both documents will be presented to The Regents for review at the time of project design consideration.

Financial Feasibility

The total project cost will be funded from a combination of external financing and UCHS net revenues. Based on a debt of \$114,702,000 at 6.125 percent interest amortized over 27 years, the average annual debt service is estimated at \$8,791,000. Repayment of the debt will be from student rents generated by the proposed addition, and from existing UCSB bed spaces. The housing and related programmatic facilities of the will be added to UCHS.

In 2005-06, the first year of operation, the projected San Clemente Student Housing rates will be \$839 per month per student for the four-bedroom apartment unit and \$1,079 per month per student for studios, inclusive of furnishings, utilities, and parking. In the Santa Barbara community, the cost of a studio apartment averages \$900 per month.

The impact of the project on the existing Santa Barbara campus University of California Housing System facilities is an estimated rate increase of \$665 per student per year. The campus plans to mitigate the impact of this increase by spreading the project costs over five years, increasing rates by 2.75 percent in 2001-02 and 2.95 percent for each of the following four years through 2005-06. The housing plan anticipates an annual increase of 3 percent per year through 2005-06 for general cost increases.

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

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

The President recommended that:

- A. Subject to the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the appropriate Budgets for Capital Improvement 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 – \$82,945,000 to be funded from external financing (\$73,503,000), University of California Housing System (UCHS) Net Revenue Funds (\$7,923,000), 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 – \$89,418,000 to be funded from external financing (\$78,706,000), University of California Housing System (UCHS) Net Revenue Funds (\$9,193,000), University Center Reserves (\$1,012,000), gift funds (\$400,000) and Student Facilities Fee reserves (\$107,000).

- B. The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings to reflect the changes to this project as described above.

- C. The President be authorized to obtain financing not to exceed \$78,706,000 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:
 - (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

 - (2) As long as the housing portion of the debt (\$76,427,000) is outstanding, UC Housing System (UCHS) 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.

 - (3) As long as the student facilities portion of the debt (\$2,279,000) 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.

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

- D. 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.

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

It was recalled that 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.

The University Club project was approved in October 1985 and amended in July 1986 and March 1987, for a total cost of \$1,045,000, to provide a 4,000 asf facility containing a large dining room, three small dining rooms, a lounge, and a kitchen.

Subsequent to approval of the College Nine Residence Halls in 1991, enrollment and demand for on-campus housing was no longer increasing and the College Nine Residence Halls project was deferred; however, beginning in fall 1996, enrollments began to increase and are expected to continue to rise. In March 1999, The Regents

amended the existing external financing for the College Nine Residence Halls project and the Capital Improvement Program to include an entirely new project: Colleges Nine and Ten Residence Halls for 800 beds. This was based on the decision to incorporate the previously approved University Club and on projected need for more permanent on-campus bed spaces.

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, and a \$9,291,000 budget augmentation funded with external financing. The total project cost was increased to \$73,122,000.

In November 2000, The Regents approved a \$9,823,000 budget augmentation and a \$6,323,000 increase in external financing for the Colleges Nine and Ten Residence Halls project. The funding was increased to allow for differences between the estimated project costs and the actual bids. In addition, the number of student bed spaces increased from 808 to 820. The total project cost was increased to \$82,945,000.

Project Description

Construction of new residence halls will provide 407 bed spaces in College Nine and 413 bed spaces in College Ten and support space. A new dining facility, which will serve both colleges, will contain the University Center and some recreational space.

Current Status of Project

The College Nine Residence Halls are basically complete. The College Ten Residence Halls and the dining facility are scheduled for completion in fall 2002.

The relocation of some modular student housing units has faced significant challenges, with the result that the project is nearly one year beyond the planned completion date. Construction on the residential units is finally nearing completion and the campus has obtained beneficial occupancy while finish work continues. The dining and community room is not yet complete. The campus is working with the Office of the General Counsel on potential legal remedies and claims against the contractor and is currently holding \$1.9 million of the original contract amount in liquidated damages. Any settlement of the claims in the campus' favor will be returned to UCHS reserves. Because of uncertainties regarding final claims resolution, the campus has not assumed that any of this money will be available to offset cost increases.

Need for May 2002 Augmentation

Net project budget increases of \$6,473,000 are requested due to increases in the cost of construction, the myriad contingency costs caused by the schedule extension, and changes such as the need for additional soil stabilization measures, road resurfacing, safety and security system cost increases, and miscellaneous small items. Outstanding and potential construction claims total \$95,000, extensive utility shutdowns for the campus physical plant will add \$20,000, and additional security equipment will add \$131,000. Additional design consultant time for the Residence Halls and Dining Hall construction administration was necessary due to the extended schedule, and there are increased inspection and internal project management costs. Advertisement costs, bidding and re-bidding costs for the Residence Halls and Dining Hall not totally included in the November 2000 augmentation, and other work bid out as separate small contracts added to the costs. Due to the extended schedule, additional geotechnical and testing laboratory inspection costs were incurred.

In response to bids that exceeded estimates by a significant amount, this portion of the project was revised and re-bid with an extended construction time. The re-bid, the extended schedule and contractor inefficiencies led to increased project management, inspection and consultant construction period time requirements. Interest decreased a result of a lower interest rate, but this was offset by an increase in other special items.

Financial Feasibility

The revised total project cost will be funded from a combination of external financing, UCHS net revenue funds, gift funds, University Center reserves, and student facilities fee reserves. Assuming debt of \$78,706,000 amortized over 27 years at 6.125 percent interest, the average annual debt service is estimated at \$6,033,000. Of the external financing, \$76,427,000 will be for the housing portion to be repaid from UCHS fees and University Center revenues, and \$2,279,000 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 bedspaces and other income generated by UCHS management of the University Center. As a result of this project, single student room rates for all on-campus housing will be increased by \$1,001 per year (approximately half of this increase was realized in 2001-02 rates) to \$7,047 per year for a double room and \$7,773 per year for single rooms. The double room rates are higher than off-campus housing; however, on-campus housing provides amenities generally not available in off-campus facilities, particularly high speed data connections, electricity and gas, cable TV, upgraded fire detection and sprinkler systems, as well as residential assistants and student programs. For fiscal year 2002-03, net revenues available for debt service will be sufficient for the project and the proposed augmentation.

Repayment of the student facilities portion of the debt will be from a \$27 per year per undergraduate student facilities fee increase. 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 10:15 a.m.

Attest:

Secretary