

The Regents of the University of California

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

February 5, 2009

The Committee on Grounds and Buildings and the Committee on Finance met jointly on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Representing the Committee on Grounds and Buildings: Regents Hopkinson, Johnson, Kozberg, Reiss, Ruiz, Schilling, and Shewmake; Ex officio members Blum and Yudof; Advisory members Bernal and Powell
Representing the Committee on Finance: Regents Garamendi, Gould, Hopkinson, Island, Kozberg, Lozano, Scorza, Varner, and Wachter; Ex officio members Blum and Yudof; Advisory members Bernal and Croughan; Staff Advisors Abeyta and Johansen

In attendance: Regents De La Peña, Lansing, Makarechian, Marcus, O’Connell, and Pattiz, Regent-designate Stovitz, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Executive Vice Presidents Darling and Lapp, Vice Presidents Broome, Dooley, Foley, Lenz, and Sakaki, Chancellors Block, Blumenthal, Drake, Fox, Kang, Vanderhoef, and White, and Recording Secretary Johns

The meeting convened at 11:10 a.m. with Committee on Grounds and Buildings Chair Schilling presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of September 17, 2008 were approved.

2. UPDATE ON THE FORMULATION OF A NEW CAPITAL FUNDING STRATEGY

Executive Vice President Lapp recalled that the Regents endorsed a recommendation in September 2008 that the President commence a comprehensive evaluation of the University’s capital planning needs over the next ten years, with a focus on three categories: seismic repairs and upgrades, infrastructure renewal and deferred maintenance, and the growth needs of the campuses. Vice President Lenz and his staff have carried out a survey of all the campuses and a ten-year outline has been developed. The findings show that the University’s total need over ten years well exceeds \$11 billion in the three categories, with at least \$2.2 billion for seismic upgrades and repairs, \$3.7 billion for capital renewal and maintenance, and \$5.4 billion for growth needs.

Ms. Lapp then addressed the question of how to meet these ten-year needs. State funds would provide one funding source. Based on the State's contributions in the past, the University has made assumptions about general obligation bond and lease-revenue bond contributions and projects a \$4.8 billion contribution from the State over the next ten years. Another funding source would be a central bond from the University of \$2 billion or more. The debt service for this bond would be funded through assessments on the campuses. The remaining need of \$3 billion to \$5 billion would be funded by gifts and opportunity funds. Ms. Lapp described this as a high-level strategy and noted that it has been challenged by recent developments at the State level and in the economy.

Vice President Lenz recalled that in July 2008 the State was not prepared to provide any funding for capital facilities projects, in spite of the Governor's January recommendation for \$395 million in general obligation bonds. There was no bond initiative on the ballot in the November election. The University shifted its strategy and obtained about \$261 million in lease-revenue bonds. Of the \$261 million, approximately \$95 million was used for seismic renovation and construction on three projects at the Los Angeles, Santa Barbara, and Berkeley campuses. The fiscal condition of the State has worsened. The Pooled Money Investment Board has halted funding for the University's capital facilities projects. It had set aside \$650 million for payments on claims; the University has secured approximately \$70 million from this amount for campus claims related to capital facilities projects. The Governor's budget for 2009-10 includes a \$62.3 million seismic renovation project at UC Berkeley. The University has been working with the Department of Finance to include a \$123 million project at UCLA in the May Revise. Mr. Lenz concluded that the University is supported by the State on the merits of its proposals, but that it is a challenge to secure funding in the current fiscal climate.

The meeting adjourned at 11:15 a.m.

Attest:

Secretary and Chief of Staff