

The Regents of the University of California

COMMITTEE ON FINANCE

June 18, 1998

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

Members present: Regents Atkinson, Connerly, Johnson, Khachigian, Levin, McClymond, and Sayles; Advisory members Espinoza, Miura, and Willmon

In attendance: Regents Chandler, Davies, Hotchkis, Montoya, Ochoa, Preuss, and Soderquist, Faculty Representatives Dorr and Weiss, Secretary Trivette, General Counsel Holst, Provost King, Senior Vice President Kennedy, Vice Presidents Broome, Darling, Gomes, Hershman, and Hopper, Chancellors Berdahl, Carnesale, Debas, Dynes, Orbach, Wilkening, and Yang, and Recording Secretary Bryan

The meeting convened at 3:45 p.m. with Committee Chair Johnson presiding.

1. CONSENT AGENDA

A. *Amendment of the Budget for Capital Improvements and the Capital Improvement Program*

The President recommended that the Committee concur with the recommendation of the Committee on Grounds and Buildings that the 1997-98 Budget for Capital Improvements and the 1997-2000 Capital Improvement Program be amended to include the following project: Irvine: A. Undergraduate Housing Expansion.

B. *Change in Repayment Source for Purchase of Office Building, Los Angeles Campus*

The President recommended that the actions of The Regents in September 1992 with respect to external financing for the purchase of an office building, Los Angeles campus, be amended as shown below, with the understanding that all other actions approved in September 1992 in connection with said project remain unchanged:

deletions shown by strikeout, additions by shading

\* \* \*

- (5) The Treasurer be authorized to obtain external financing not to exceed ~~\$42,450,000~~ \$41,500,000 to finance the purchase of the property plus closing costs and capital improvement costs, subject to the following conditions:

- a. Repayment of the debt shall be from ~~net rental income from leases and from unencumbered discretionary funds available to the Chancellor of the Los Angeles campus~~ the Los Angeles campus' share of the University Opportunity Fund; and

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C. *External Financing for UC MBEST Center, Phase One Project, Santa Cruz Campus*

The President recommended that:

- (1) Funding for the UC MBEST Center, Phase One project, Santa Cruz campus, be approved as follows:

<u>Fund Source</u>	<u>Amount</u>
Chancellors' Funds	\$ 111,000
Economic Development Administration	1,000,000
External financing	<u>1,300,000</u>
	\$ 2,411,000

- (2) The Treasurer be authorized to obtain external financing not to exceed \$1,300,000 to finance the UC MBEST Center, Phase One project, 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. Repayment of the debt shall be from the Santa Cruz campus' share of the University Opportunity Fund; and
- c. The general credit of The Regents shall not be pledged.
- (3) Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is exempt from gross income for the purposes of federal income taxation under existing law.

- (4) Officers of The Regents be authorized to execute all documents and agreements in connection with the above.

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

2. **EXTERNAL FINANCING FOR UNDERGRADUATE HOUSING EXPANSION, IRVINE CAMPUS**

The President recommended, subject to amendment of the Budget for Capital Improvements and the Capital Improvement Program to include the Undergraduate Housing Expansion, Irvine campus, that:

- A. The Treasurer be authorized to obtain external financing not to exceed \$37,750,000 to finance the construction and related costs of the Undergraduate Housing Expansion, Irvine 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 debt is outstanding, University of California Housing System fees for the Irvine campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Indenture and to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing; and
  - (3) The general credit of The Regents shall not be pledged.
- B. The Officers of The Regents be authorized to provide certification that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- C. The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

It was recalled that the proposed project would expand undergraduate housing by constructing new housing units at the existing Middle Earth and Mesa Court housing complexes. The project would provide a net increase of 500 new beds for undergraduate students, with the construction of 232 new beds directly adjacent to the Middle Earth complex, demolition of 160 beds in four seismically deficient Mesa Court buildings, and construction of 428 new beds at the Mesa Court complex, using land released by the demolished units. The Middle Earth facilities are proposed to

be located on a 2.25 acre parcel currently occupied by a surface parking lot of 180 spaces (150 residential, plus 30 general campus spaces). The project would provide a replacement surface lot across East Peltason Drive.

### New Student Housing

The Undergraduate Housing Expansion project is proposed in response to the historically high and growing demand for undergraduate on-campus housing at the Irvine campus. As of fall 1997, the campus housed 31 percent of its undergraduate students, with another 565 undergraduates on a waiting list. To help meet demand, the campus added beds to some existing residence hall rooms and converted other common areas into usable bedrooms, resulting in a fall 1997 occupancy rate of 102.5 percent. Further, in an effort to guarantee housing to incoming freshmen, the campus was forced to limit the number of returning residence hall students, and a first-ever lottery was held for the available spaces.

Based on the total number of undergraduates housed and those on waiting lists, the campus currently estimates a need to provide on-campus housing for at least 35 percent of its undergraduate population. By 2002-03, when the final phase of the proposed project is scheduled to be completed, the demand for undergraduate housing would have grown significantly due to an anticipated undergraduate enrollment increase of over 10 percent. Without the proposed project, the campus would be able to accommodate only 28 percent of the projected 2002-03 undergraduate population, or would have a projected shortage of 1,052 undergraduate beds.

Additional factors affecting on-campus housing demand include a shortage of reasonably priced rentals in the communities surrounding UCI, and lack of access to on-campus student life programs experienced by students living in off-campus housing. Currently, the cost of a two-bedroom/two-bath unit in Irvine averages \$1,234 per month, and these rates are projected to increase about 5 percent annually. On-campus facilities currently offer many special programs and opportunities to enhance a student's university experience, but students living off-campus incur additional time and expense in order to participate in and benefit from these programs.

### Financial Feasibility

The total project cost is estimated at \$37,750,000 to be funded from external financing. Based on a debt of \$37,750,000 at 6.5 percent interest amortized over 27 years, the average annual debt service is \$3,002,000 and annual operating expenses are estimated at \$1,708,000, for a total annual expense of \$4,710,000. Repayment of the debt would be from student rents generated by the proposed addition and from existing UCHS undergraduate residence hall bed spaces at the

Irvine campus. The rate for the undergraduate residence hall bed spaces is projected to be \$7,431 per year (room and board for 9 months) for the first full year of occupancy (2003-04). Rates for existing on-campus residence halls would be increased by approximately \$708 per year.

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

3. **INCREASE IN ASUC UNDERGRADUATE STUDENT ACTIVITY FEE, SAN DIEGO CAMPUS**

The President recommended that, effective with the fall quarter 1998, the Student Activity Fee assessed to each registered undergraduate student at the San Diego campus be increased from \$13.50 to \$20.00 per student per quarter.

It was recalled that the ASUCSD Undergraduate Student Activity Fee was established in 1977 at \$6.00 per student per quarter. The fee was last increased in 1985 to \$13.50 per student per quarter. The Fee is administered by ASUCSD, the official campus student government representing undergraduate students.

To account for inflation since 1985 and to provide funding to enhance the quality of student life, activities, and programs, the ASUCSD Council recently proposed an increase in the fee of \$6.50, to \$20.00 per student per quarter. The ASUCSD conducted a campuswide election which included this proposal on April 7, 8, and 9, 1998 in accordance with the ballot guidelines of the ASUCSD Constitution. The election included an information campaign setting forth both pro and con positions on the proposal.

Of the 13,951 eligible students, 3,141 (22.5 percent) students voted in the election. There were 2,692 ballots on the proposed fee, with 1,374 (51 percent) students voting to approve the fee. These outcomes meet the campus requirement that a minimum of 20 percent of the eligible undergraduate students must vote in the election and that a majority of those voting on a proposal must support it to gain approval.

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

4. **REPORT ON NEW LITIGATION**

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

The Committee went into Closed Session at 3:50 p.m.

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The meeting adjourned at 3:55 p.m.

Attest:

Secretary