

The Regents of the University of California

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

November 19, 1999

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

Members present: Representing the Committee on Finance: Regents Atkinson, Bagley, Davies, Hopkinson, S. Johnson, Lee, Montoya, Pannor, and Preuss

Representing the Committee on Grounds and Buildings: Regents Atkinson, Davies, Hopkinson, O. Johnson, S. Johnson, Kozberg, Lee, and Pannor

In attendance: Regents Khachigian, Lansing, Leach, Moores, Sayles, Taylor, and Vining, Faculty Representatives Coleman and Cowan, Secretary Trivette, General Counsel Holst, Assistant Treasurer Young, Provost King, Senior Vice President Kennedy, Vice Presidents Broome, Darling, Gurtner, and Hershman, Chancellors Carnesale, Cicerone, and Yang, Vice Chancellor Suduiko representing Chancellor Greenwood, and Recording Secretary Bryan

The meeting convened at 10:10 a.m. with Committee on Finance Chair S. Johnson presiding.

1. **UPDATE ON FEMA/STATE RECONSTRUCTION AND STAGING PROJECTS, LOS ANGELES CAMPUS**

It was recalled that the seismic reconstruction and staging program, undertaken by UCLA in response to the January 17, 1994 Northridge earthquake, was presented to The Regents at the June 1995 and May 1996 meetings. Negotiations with the Federal Emergency Management Agency (FEMA) are now complete.

The Seismic Correction Program at UCLA has been a campus priority since the late 1980s. Because of that effort, at the time of the January 1994 Northridge earthquake significant seismic reconstruction work had been completed. Of the 36 buildings known by the campus to require seismic reinforcement at that time, 10 had been completed and 2 were in construction. Among the completed structures were the high-rise residence halls. Additionally, an overall plan was in place to reinforce the remaining buildings requiring seismic upgrades. This allowed for a quick and comprehensive response and the ability to integrate the outcomes of the FEMA initiative with the rest of the overall campus renewal plan. The campus was well placed technically and organizationally to deal with the aftermath of the event.

The earthquake was a major disaster, and much of the work required had to proceed within the context of emergency and disaster response. The disruption of campus life in the first few days after the event was primarily caused by non-structural damage such as fallen books and equipment, as well as debris from the buildings, and the concomitant turmoil of a large-scale disaster. Immediate efforts focused on the clean-up, emergency repair, and a preliminary review of all campus structures to ensure the safety of the occupants. A considerably longer-term impact arose from the damage of numerous structures on the campus and the findings that significant reconstruction work or replacement was required.

Most of the damage to buildings was not easily visible, with some notable exceptions, including the Kerckhoff Hall spires, the Powell Library ceiling, and Royce Hall, which sustained significant visible cracking through the towers. Emergency action was undertaken immediately in needed cases. For example, Royce required the shoring up of the towers and immediate evacuation of a portion of the building.

FEMA Negotiation Process

Directly following the Northridge earthquake, UCLA worked with FEMA and the State's Office of Emergency Services (OES) to assess the extent of the damage to the campus, to review, estimate, and propose solutions to earthquake damage, and to initiate repair work. The process of technical inspections for damage to UCLA's buildings began in March 1994. By that date the emergency services capabilities of both FEMA and OES, as well as Southern California's structural engineering resources, could focus on non-emergency damage and repair issues. FEMA and OES had also, by that time, prepared a Memorandum of Understanding (MOU) to assist in clarifying the process by which buildings and other structures might be determined to be eligible for FEMA funding. With the development of the MOU and the assignment of OES and FEMA inspection teams to UCLA, the detailed process of inspecting and recording the damage (both structural and non-structural) to UCLA's 230 buildings began.

This resulting process of analysis included consideration of alternative and most cost-effective approaches, all within the context of both federal regulation and the interpretation of those regulations by the then-assigned FEMA field staff. Further, the approaches had to be constructed in the context of an emergency situation. Additionally, the execution of the work was made particularly difficult by the fact that many of the buildings are historic in nature and thus required careful analysis and agreement between a number of governmental agencies before proceeding.

The program of corrections and their related respective budgets presented in June 1995 and May 1996 Regents' items were based on the campus' negotiation strategies undertaken with FEMA. Now that negotiations are complete, the resulting projects and budgets reflect actual funding approved by FEMA.

Update Related to the Core Campus

The opportunity to accelerate elements of the Seismic Correction Program at UCLA and to bring to that program meaningful additional resources has been of enormous value to the Los Angeles campus. The receipt of FEMA funding has allowed the campus to proceed much more quickly than previously programmed for a number of much-needed seismic repairs and upgrades.

The core campus program has been described in two categories, projects under \$5 million and projects over \$5 million. The total funding (FEMA and State matching funds) approved for core campus projects is summarized as follows:

	<u>Number of Projects</u>	<u>FEMA/OES Funding</u>
Projects over \$5 million	11	\$104,735,000
Projects under \$5 million	<u>166</u>	<u>20,023,000</u>
Total	177	\$124,758,000

The Center for Health Sciences (CHS) is not reflected in the above estimates. FEMA funding for CHS was \$525,000,000; added to the number cited above, total FEMA funds are \$649,758,000.

The range of projects in this program under \$5 million varies greatly. Included in this category are content damage and repairs to academic and administrative buildings, parking structures, and student on- and off-campus housing facilities. Examples of the work included in projects under \$5 million are University Village, Sunset Village, and Boelter Hall. Damage at the University Village student housing units included cosmetic cracking of the building base and windows and cracking of the plaster walls and ceilings. A Damage Survey Report (DSR) was written to repair the stucco, plaster, and paint. Damage at Sunset Village was minor, but the solar water tanks on the roof shifted off their bases. An emergency DSR was written to provide an interim water supply and beverages at the site. Damage to Boelter Hall was more extensive and included damage to shear walls, beams and columns, floor tiles, fluorescent lights, and stairwells. A DSR for \$430,000 was written for epoxy injection to the shear walls, columns, beams, and stairwells, replacement of the floor tiles and fluorescent lights, and patching and painting the affected areas. Each of these smaller projects was approved at the campus level under authority delegated to the Chancellor to amend the Capital Improvement Program for projects under \$5 million.

Program of Improvements Over \$5 Million

As previously presented, this program represented work on eight core campus buildings and one off-campus building. At the time of the original projections in June 1995, each of these projects was estimated to cost over \$5 million. Several of these project budgets are under \$5 million, but are included in this listing for consistency with earlier items. Four staging facilities were also proposed because of displacement of building occupants during construction. Gift and campus funds were proposed to supplement

FEMA and State matching funds to enable the construction of permanent structures that could be reused by the campus after the initial staging requirement was met.

The current program includes repairs to eight on-campus buildings, one off-campus building, and construction of two staging facilities.

During negotiations, a new program of reimbursements entitled the Grant Acceleration Program (GAP) was developed by FEMA to provide a capped dollar amount based on cost estimates and escalation factors. A GAP offer was accepted in conjunction with the Southwest Campus Staging Building, the Dickson Tower reconstruction, Kinsey Hall repairs, Men's Gym Staging Building, and the Dance Building repairs.

A brief description and status of each of the eleven major campus seismic reconstruction and staging projects is presented below.

Royce Hall

Work on Royce Hall, originally scheduled as a State-funded capital project, is now complete, and the building is again occupied and functioning. As one of the most severely damaged structures on the campus, emergency repairs and vacating the building had to occur immediately after the earthquake. As discussed in the May 1995 item, Royce Hall was the only structure where repairs began prior to securing approved Damage Survey Reports (DSR's) from FEMA.

Reconstruction of Royce included the construction of shear walls, foundation work, seismic anchoring of utility lines, bracing of architectural elements, staging of the building occupants, and repair of the historic fabric. Additionally, because of the cost-effective nature of completing other work within the building while a major renovation was being undertaken, air conditioning and program upgrades to the auditorium were also completed. The receipt of a \$3 million gift also ensured that the auditorium would remain a signature performing arts venue.

The total project cost of \$56,059,000 includes FEMA funds (\$39,157,000), State matching funds (\$4,351,000), gift funds (\$3,010,000), external financing (\$9,245,000), and campus funds (\$296,000). In addition to the main Royce project, emergency repairs were undertaken immediately after the earthquake. At a total cost of \$10,621,000, these repairs were funded by FEMA (\$9,058,000), State matching funds (\$1,007,000), and campus funds (\$556,000).

Powell Library

Work within Powell Library is now complete. Work included repair of cracked or fallen terra cotta walls, repair and replacement of plaster walls, and repairs to floors, windows, and the roof. Demolition, repair, replacement and restoration of the historic painted plaster ceiling in the main reading room have been completed. The total project

cost of \$8,207,000 has been funded by FEMA (\$6,981,000), State matching funds (\$776,000), and campus funds (\$450,000).

Southwest Campus Staging Building

Construction of this building is expected to begin in March 2000. This project will house the occupants of the Dickson Tower Reconstruction and the Dance Seismic Reconstruction projects. After completion of these projects, the building will be available for other campus functions. The building will be designed to provide flexible space that can accommodate a variety of needs. The total project cost of \$15,420,000 is proposed to be funded from FEMA (\$4,500,000), State matching funds (\$500,000), and external financing (\$10,420,000).

Men's Gym Staging Building

This project, which will begin construction in December 1999, will house the occupants of the Men's Gym. The proposed facility is a two-story structure attached to the north elevation of the John R. Wooden Recreation and Sports Center. It will be built on an existing foundation constructed during the recently completed Parking Structure 4 Expansion project and will provide temporary studio, office, and locker room space. After completion of the Men's Gym Seismic Renovation project, the staging building will provide permanent space in support of the Student Services Master Plan. The former locker room space in the Men's Gym will also be reassigned to Student Services, centralizing these activities in the core campus. The total project cost of \$9,932,000 will be funded from federal funds (\$4,651,000), State matching funds (\$517,000), and campus funds (\$4,764,000).

Men's Gym Seismic Repairs

This project will commence as soon as the Men's Gym Staging Building is complete in May 2001. It will upgrade the lateral force resisting elements and the life safety systems within the building. Total project cost is \$15,244,000 to be funded from FEMA (\$11,211,000), State matching funds (\$1,246,000), and campus funds (\$2,787,000). The campus will return to The Regents for amendment of the CIP and finance approvals as needed at a future date.

Dickson Tower Seismic Reconstruction

Dickson Tower was originally included in the State capital program but was removed following the Northridge earthquake. This project is now proposed as a seismic reinforcement project, instead of a replacement building. Construction is expected to begin immediately after the completion of the Southwest Campus Staging Building in Summer 2001.

Following extensive negotiations with FEMA, a GAP offer of \$5,901,000 has been accepted. In addition to the FEMA work, the campus will undertake additional infrastructure and life safety upgrades throughout the building. Total project cost is estimated at \$11,838,000 to be funded from FEMA (\$5,311,000), State matching funds (\$590,000), and campus funds (\$5,937,000). The campus will return to The Regents for amendment of the CIP and finance approvals as needed at a future date.

Kinsey Hall

Construction on Kinsey Hall is expected to commence in Summer 2003. A GAP offer of \$3,950,000 has been negotiated with FEMA. The major items of repair and retrofit included in the GAP offer are injecting epoxy into concrete cracks in the floors, restoring damaged exterior brick in-fill and brick veneer, scaffolding, restoring and repairing terra cotta brick, patching and painting plaster, repairing hollow clay tile partitions, abating asbestos, and encapsulating hollow clay tile walls as an earthquake mitigation measure. Additionally, an allowance for ADA compliance, based on the eligible structural repairs, has been included in the scope of work. The proposed repair work will be coordinated with a \$22 million State capital project to reconstruct Kinsey Hall.

Two staging buildings were previously proposed related to Kinsey Hall. Staging for Kinsey Hall is now proposed to be accomplished by one new structure, the Physics and Astronomy Building, to be funded outside of this program and through the re-use of Hershey Hall, discussed below, at the completion of Haines Hall seismic reconstruction work.

Dance Building

Damage to the Dance Building was not severe enough to trigger FEMA reconstruction work. A GAP offer of \$1,332,000 has been accepted for roof and exterior skin repairs. This work will be undertaken in conjunction with the state and gift funded Dance Seismic Reconstruction project, scheduled to begin construction in Summer 2001.

Hershey Hall

Repairs are complete on this building. Originally thought to require replacement, after delays negotiating for FEMA repair/replacement funds, the campus chose to proceed with repairs using campus funds in order to expedite construction to allow use of Hershey Hall as staging space for occupants of Haines Hall while its seismic repairs were under way. Hershey Hall currently houses former Haines Hall occupants and will subsequently be used as staging space for Kinsey Hall and then for other campus staging needs.

A GAP offer for Hershey Hall of \$3,672,000 has been applied to a separate project which has been approved and is under way. This is the Westwood Plaza Office

Building, which will house units displaced during construction of the new hospital, provide staging space for Kinsey Hall by moving the Career Center from a building adjacent to Kinsey, and provide expansion space for Transportation Services.

Kerckhoff Hall

The spire reconstruction work is complete. FEMA funding of \$2,925,000 has been received. As a student services facility, this project was not eligible for State matching funds.

Stanford Medical Records

Work on this building is complete, and the building has been reoccupied. FEMA and State matching funding was received for both staging costs (\$1,860,000) and repairs (\$1,140,000).

Implementation of Program

Now that FEMA negotiations are complete, the campus is moving to complete the program. Substantial completion of all projects is expected by 2004.

Because the FEMA program operates on a reimbursement basis, The Regents approved external financing in the form of an interim loan to assist with cash flow needs associated with these projects. First approved in June 1995 at \$35 million, the line was increased to \$52 million by action taken at the May 1996 meeting. This was necessary to fund several large projects that were going to construction at the time.

As discussed in this item, several projects have been completed, and negotiations with FEMA have been concluded. There is now knowledge about the long-term financing needs for several projects. The campus is proceeding with individual project financing where required, and the credit line previously established no longer needs to cover projects for which individual financing is being requested. Therefore, the interim loan commitment is being decreased from \$52 million to \$10 million.

The actions and Regents' discussion pertaining to items 2 through 7 appear following item 7.

2. **EXTERNAL FINANCING FOR ROYCE HALL SEISMIC CORRECTIONS, LOS ANGELES CAMPUS**

The President recommended that:

- A. Funding for the Royce Hall Seismic Corrections project, Los Angeles campus, estimated at \$56,059,000, be approved as follows:

Fund Source

Amount

Federal Funds	\$39,157,000
State Matching Funds	4,351,000
External Financing	9,245,000
Gifts	3,010,000
Campus Funds	<u>296,000</u>
Total	\$56,059,000

- B. The Treasurer be authorized to obtain financing not to exceed \$9,245,000 to finance the Royce Hall Earthquake Seismic Corrections 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 Los Angeles campus' share of the University Opportunity Fund.
 - (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.

It was recalled that Royce Hall was constructed in the 1920s in accordance with building standards of that time, prior to the incorporation of earthquake load resistance requirements included in modern building codes. The seismic deficiencies in Royce Hall placed it in significant risk of collapse during a major earthquake, and structural evaluation following the Northridge earthquake indicated that Royce Hall had lost approximately 30 percent of its pre-earthquake seismic resistance capacity. Damage included significant cracking in the towers and in the rest of the building, as well as cracking of the non-reinforced masonry in-fill in offices, classrooms, and auditorium.

The repair of Royce Hall as originally envisioned and approved for funding by the Federal Emergency Management Agency (FEMA) involved the construction of shear walls extending from the foundation to the roof in order to provide additional lateral strength throughout the building. The new shear walls are clustered around the central auditorium. Repairs also included areas of the building foundation, seismic anchoring of utility lines, and bracing of architectural elements. Partial emergency repairs and reinforcements of building elements damaged during the earthquake proceeded immediately due to the potential for further damage. Given the extensive nature of the construction, building occupants were temporarily relocated.

Total FEMA and State matching funding received are \$43,508,000 against a total project cost of \$56,059,000. External financing, gifts, and campus funds are proposed to cover the remaining expense.

Project Description

The Royce Hall Seismic Reconstruction project is described briefly in Item 1 above. Fire and life safety upgrades included alarms and sprinklers. ADA access improvements were included, and asbestos-containing materials were abated, and air conditioning was extended to the offices and classrooms. Enhancements to the theater included acoustic treatments and upgrades to the organ and finishes.

FEMA Negotiations

Specific negotiations on the Royce Hall Seismic Corrections project began immediately after the earthquake and concluded in June 1999. Throughout this extensive negotiation process conducted with FEMA, the campus was able to resolve a myriad of issues. These issues ranged from the necessity to follow UC's Seismic Safety Policy, to requirements of the Fire Marshall disputed by FEMA, to discussions of the amount of historic preservation required. In total, seven Damage Survey Reports were approved between August 1994 and June 1999 which provided a combined total of \$43,508,000 of FEMA and State matching funds.

In spite of substantial gains throughout the negotiation process, some elements of the project remain unfunded by FEMA and form the basis for the required external financing.

Project Funding and Financial Feasibility

External financing, gifts, and campus funds are proposed to cover the remaining expense. Changes to the fund sources for the Royce Hall Seismic Correction project are now needed to reflect actual FEMA/State matching funds, the receipt of gift funds, and the need for external financing.

Based on a debt of \$9,245,000 at 6.5 percent amortized over 27 years, the estimated average annual debt service is \$735,000. Repayment of the debt will be generated from the Los Angeles campus' share of the University Opportunity Fund. Opportunity Funds are a portion of the indirect costs recovered from federal contracts and grants. About 36 percent of the campus' estimated Opportunity Funds generated in 2001-02, the first year of amortizing debt service, will be pledged for debt. Both Opportunity Fund pledge and payment levels fall within prescribed limits.

For purposes of compliance with the California Environmental Quality Act of 1970 and amended University of California procedures for implementation of CEQA, the campus prepared a Tiered Initial Study, dated June 1995. Based on the results of the Initial

Study the campus prepared a proposed Negative Declaration, which underwent a 30-day public review period that concluded on July 21, 1995. The campus received no substantive comments during the public comment period. A Notice of Determination indicating approval of the project was filed with the State Clearinghouse on August 1, 1995. The proposed change to project funding does not give rise to any circumstance requiring additional environmental review and is consistent with the analysis in the Negative Declaration for this project.

3. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, SOUTHWEST CAMPUS STAGING BUILDING, LOS ANGELES CAMPUS**

The President recommended that the Committee on Grounds and Buildings recommend to The Regents, subject to the concurrence of the Committee on Finance, that the 1999-2000 Budget for Capital Improvements and the 1999-2002 Capital Improvement Program be amended to include the following project:

Los Angeles: C. Southwest Campus Staging Building – preliminary plans, working drawings, construction, and equipment – \$15,420,000 total project cost, to be funded from external financing (\$10,420,000), federal funds (\$4,500,000), and State matching funds (\$500,000).

It was recalled that the Dickson Arts Center was extensively damaged in the January 17, 1994 Northridge earthquake. The Dance Building had not been seismically upgraded since it was constructed in 1931. Repairs and renovations to both buildings involve seismic strengthening, fire and life-safety, and disabled access improvements, and require their evacuation. Work may occur during the same time frame due to two recent developments: acceptance by the campus of a GAP offer for reconstruction of Dickson Tower after extensive negotiations with FEMA; and the availability of gift funds for programmatic upgrades resulting in an accelerated State-funded Dance Building seismic reconstruction project.

Both buildings accommodate academic departments of the School of Arts and Architecture. Dickson accommodates primarily the Department of Art, and the Dance Building accommodates primarily the Department of World Arts and Cultures. The campus lacks to house these two departments while renovations are under way, and their studio, shop, lab, and exhibition spaces are not easily replicated within existing campus buildings. Parking Lot 32 provides a site on which a building of sufficient size may be constructed to keep related functions together and provides sufficient proximity to the core campus (via campus shuttle) to maintain access to campus services and resources.

The campus has an on-going need to house departments whose core campus facilities are undergoing seismic renovation and life/safety improvements. Beyond the two-year construction time frame of the Dickson and Dance projects, the Department of Art and the Department of World Arts and Cultures would return to their respective buildings

and the proposed building would be available for other campus uses, such as staging of the academic programs occupying Campbell Hall and the Geology complex when their buildings undergo seismic renovation. It is anticipated that the need for seismic staging space will be required through much of the next decade. Alternatively, the building could be used for other campus needs.

Proposed Project

The proposed Southwest Campus Staging Building is conceptualized as a three-story structure containing approximately 56,000 asf (75,000 gsf). The project will also include approximately 9,000 square feet of fenced exterior yard space adjacent to the building. The preferred building site will be Parking Lot 32, on a site bounded by a service alley separating the Southwest campus from Westwood Village to the east, the Lot 32 Kinross Avenue entrance to the north, and the balance of Lot 32 to the west and south. The project will displace approximately 220 parking spaces in Lot 32. The impact of the loss of parking spaces will be addressed by re-striping the parking lot and by demolishing temporary staging facilities and trailers located on Lot 32. Re-striping and demolition will be funded using Chancellor's resources and is expected to begin in spring 2000.

The building will be designed with a central core that includes restrooms, elevator, stairwells, corridor, and building support space. The building's core elements will be arranged to accommodate both multi- and single-tenant occupancies, while the building's structural module, core to window wall dimension, and fenestration spacing will be planned to accommodate the diverse needs of both academic and administrative office space users over time.

The Department of Art will occupy approximately 35,000 asf, and the Department of World Arts and Cultures will occupy approximately 21,000 asf in the building. The initial occupancy will provide studios, shops, and gallery on the first floor, offices, class labs, and storage on the second floor, and art studios and class labs on the third floor. The exterior yard will contain approximately 9,000 gsf of open workspace for the Department of Art's kilns, metal working, material storage, and related functions, as well as a separate fenced area for trash.

Customization of the building's spaces will be minimized for the initial occupants, consisting of painted drywall partitions, open ceilings with exposed structural and building systems, and sealed concrete floors in most spaces. Special upgrades necessary for the functional and operational needs of the initial occupants will be provided in a reversible manner, including sprung wood floors on top of the concrete floor slab in the dance studios, installation of special equipment, ventilation and lighting in some art studios, and covered unenclosed space in the exterior yard.

The scope of work includes site preparation, clearing, grading, and drainage, on-site utility distribution, construction of the building shell, interior improvements for the initial occupants, and development of exterior softscape and hardscape elements.

Project Cost and CEQA Classification

The total project cost of \$15,420,000 at CCCI 3954 is to be funded from external financing (\$10,420,000), federal funds (\$4,500,000), and State matching funds (\$500,000). Repayment of the external financing will be from the Los Angeles campus' share of the University Opportunity Fund.

In accordance with University of California guidelines for the implementation of the California Environmental Quality Act of 1970, a Tiered Initial Study has been prepared to analyze the potential environmental effects of the proposed Southwest Campus Staging Building project.

4. **EXTERNAL FINANCING FOR SOUTHWEST CAMPUS STAGING BUILDING, LOS ANGELES CAMPUS**

The President recommended that the Committee on Finance recommend to The Regents that:

- (1) Funding for the Southwest Campus Staging Building project, Los Angeles campus, estimated at \$15,420,000, be approved as follows:

<u>Fund Source</u>	<u>Amount</u>
External Financing	\$10,420,000
Federal Funds	4,500,000
State Matching Funds	<u>500,000</u>
Total	\$15,420,000

- (2) The Treasurer be authorized to obtain financing not to exceed \$10,420,000 to finance a portion of the Southwest Campus Staging 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;
- a. Repayment of the debt shall be from the Los Angeles campus' share of the University Opportunity Fund; and
- b. The general credit of The Regents shall not be pledged.

- (3) 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.
- (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

It is proposed that the total cost of \$15,420,000 be funded by external financing (\$10,420,000), federal funds (\$4,500,000) and State matching funds (\$500,000). Based on a debt of \$10,420,000 at 6.5 percent interest amortized over 27 years, the estimated annual debt service is \$829,000. Payment of annual debt service will be from the Los Angeles campus' share of the University Opportunity Fund. Opportunity Funds are a portion of the indirect costs recovered from federal contracts and grants. About 36 percent of the campus' estimated Opportunity Funds generated in 2001-02 (the first full year of operation), will be pledged for debt.

The balance of the project will be funded by a grant of \$5,000,000 for staging costs related to the repair of damage to the Dickson Tower caused by the 1994 Northridge earthquake. Of this amount, \$4,500,000 will be provided from federal funds (FEMA) and \$500,000 will be provided from State matching funds.

5. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, UNIVERSITY VILLAGE EXPANSION, LOS ANGELES CAMPUS**

The President recommended that, subject to the concurrence of the Committee on Finance, the 1999-2000 Budget for Capital Improvements and the 1999-2002 Capital Improvement Program be amended to include the following project:

Los Angeles: D. University Village Expansion – preliminary plans, working drawings, construction, and equipment – \$26,280,000 to be funded from external financing (\$25,780,000) and UCLA Campus Housing Reserves (\$500,000).

It was recalled that in November 1993, the Regents approved a project to redevelop the family student housing facilities located on Sawtelle and Sepulveda Boulevards approximately five miles south of the UCLA campus. The project included phased construction of affordable apartments for graduate student families and related support facilities on a 30-acre site. At that time, the campus also proposed to construct 75 for-sale faculty townhouses at a later date on a portion of the site not included in the approved project. Construction of the family student housing facilities began in 1994. During the first phase of construction, the campus decided to retain 140 of the original 1940s and 1950s apartments on a 4.8-acre portion of the Sawtelle parcel, when declining property values precluded construction and sale of the faculty townhouses. The first phases of the family student housing redevelopment were completed in 1997.

The initial phases referred to as University Village, along with the remaining 1940s and 1950s Sawtelle units totaled 1,052 apartments, a child care center, administrative offices, a maintenance facility, and 1,262 parking spaces. University Village has proven to be very popular and currently has a waiting list of approximately 400 qualified graduate student families.

At the present time, the 140 Sawtelle apartments are considered to have reached the end of their useful life. To address their infrastructure deficiencies, provide needed on-site parking, and satisfy the demand for affordable graduate student family housing, UCLA proposes to redevelop the southern portion of the Sawtelle Boulevard parcel that is currently the site of the 140 older apartments. The redeveloped parcel will expand the University Village complex by replacing the Sawtelle apartments with 192 new apartments and by replacing the 192 existing parking spaces with 555 parking spaces. Upon completion, the entire University Village complex will consist of 1,104 apartments and 1,625 parking spaces.

UCLA's Student Housing Master Plan (1990-2005) identifies a need for 1,540 University-owned off-campus family student apartments by the year 2005. In addition to the existing family student apartments at University Village, there are 60 units at Barrington Manor. The project will add 52 net new apartments to the off-site inventory for a total of 1,164 units, in support of the goals of the master plan.

Project Scope

The project will include housing consisting of 192 graduate student family apartments in six three-story walk-up buildings and a centralized laundry facility. Three unit plans will be available, each with two bedrooms, two bathrooms, a living room, kitchen, dining area, and study. Open space between the buildings would include children's play areas and multi-purpose recreational space. Parking will include a total of 555 spaces in a 515-car three-story parking structure and 40 surface spaces adjacent to the residential units.

The project scope includes demolition of all existing structures, site clearance, and protection of specimen trees; site development including access roads, walkways, landscaping, recreational space, security, and utilities; and construction of the housing units and parking structure. University assistance plans are in place to provide alternate housing during construction for the residents of the units to be demolished.

Project Cost and CEQA Classification

The total project cost of \$26,280,000 is to be funded from a combination of external financing (\$25,780,000) and UCLA Campus Housing Reserves (\$500,000). Repayment of the external financing will be from the UCLA Campus Housing System and requires increased rents in existing facilities.

The design concept for the residential portion of the project is one of three-story, wood frame, stucco covered structures. This results in an estimated building cost of \$68 per gross square foot. The parking structure, parking lot, and other site access improvements total an estimated \$36 per gross square foot, or \$10,544 per parking space.

In accordance with the California Environmental Quality Act of 1970 and amended University of California procedures for implementation of CEQA, an environmental impact report will be prepared for the proposed project and for consideration by The Regents in conjunction with project design review and approval at a future meeting.

6. **EXTERNAL FINANCING FOR UNIVERSITY VILLAGE EXPANSION, LOS ANGELES CAMPUS**

The President recommended that:

- A. Funding for the University Village Expansion project, Los Angeles campus, estimated at \$26,280,000, be approved as follows:

<u>Fund Source</u>	<u>Amount</u>
External financing	\$25,780,000
UCLA Campus Housing Reserves	<u>\$ 500,000</u>
Total	\$26,280,000

- B. The Treasurer be authorized to obtain external financing not to exceed \$25,780,000 to finance a portion of the construction of the University Village Expansion project, Los Angeles 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, rents from the University Village facility and, if necessary, from other Los Angeles campus housing facilities, shall be established at levels sufficient to pay the debt service and to meet the related debt service requirements of the proposed loan.
- (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.

Based on a debt of \$25,780,000 at 6.5 percent interest amortized over 27 years, the estimated annual debt service is \$2,050,000. Payment of the annual debt service will be made by increasing current rents in the existing UCLA campus housing facilities by an average of \$75 a month, to \$1,010 (approximately 12 percent to 15 percent below local market rates. Rates will be increased by smaller increments yearly between project approval and project completion. Rental rates include parking.

The University Village housing and parking facilities are part of the UCLA Campus Housing System. The campus has autonomy to operate these facilities and the responsibility for managing net revenues. The UCLA Campus Housing System is separate from the University of California Housing System, which is governed and administered financially by the Office of the President under the terms and conditions of the UCHS bond indentures. The campus operates UCHS facilities as well. UCLA net UCHS revenues are transferred annually to the Office of the President, where the net revenues are held in reserve for future UCLA needs.

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

The President recommended that, subject to the concurrence of the Committee on Finance, the 1999-2000 Budget for Capital Improvements and 1999-2002 Capital Improvement Program be amended to include preliminary plans funding for the following project:

Los Angeles: E. Southwest Campus Housing and Parking, Phase 1 - Preliminary plans -- \$4,977,000 to be funded from UCHS, Los Angeles Campus Reserves (\$3,997,000), and Parking Service Capital Reserves (\$980,000).

It was recalled that the Los Angeles campus proposes to construct Phase 1 of the Southwest Campus Housing and Parking complex, at an estimated total project cost between \$128,000,000 and \$145,500,000, to be funded by a combination of University of California Housing System (UCHS) Los Angeles campus reserves (\$3,997,000), Parking Service Capital Reserves (\$980,000), and external financing (\$123,023,000-\$140,523,000). This range represents the low and high ends of current conceptual estimates to be repaid from UCHS Los Angeles campus net revenues and Parking Service Capital Reserves.

In October 1998 the UCLA campus 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 two significant factors:

- C The need to replace University housing for single graduate students previously provided by Mira Hershey Hall, which was abandoned for housing in July 1998 due to earthquake damage, code and life safety upgrade requirements, and the need to substantially upgrade the building for modern student uses.

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

Executive Summary

UCLA proposes to design and construct a new housing complex to accommodate single graduate, professional, and upper division undergraduate students in the southwest quadrant of the campus. This complex is envisioned to be constructed on the fifteen-acre site bordered by Gayley/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 2,000 bed spaces, but will limit construction to approximately 1,200 bed spaces and related support facilities, including parking, at a ratio of one parking space for each bed. Phase 1 planning is anticipated to begin immediately, and beneficial occupancy for the first 1,200 beds is targeted for Summer 2003. Phase 2 construction of approximately 800 beds and 650 parking spaces will commence immediately following the completion of Phase 1.

Although removed from the main campus, this project will be an integral part of UCLA. By design, the proposed project will create a “gateway” from Westwood Village to the UCLA campus and would link the campus to the Westwood community. The project will represent the campus in a favorable light architecturally, connecting to the campus through a compatible image. Physical connections will be made to the campus with adequate pedestrian routes, proper vehicular access, and the evolving electronic and data technologies that are required within the University today.

Statement of Need

In 1990, UCLA published a Long Range Development Plan that 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 (SHMP) 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 the inventory of University-owned student bed spaces within one mile of campus. This increase in University housing located on the southwest site will provide convenient and affordable housing to UCLA students and will assist in the campus traffic mitigation plan by reducing the trips to campus made by students residing in apartments more than one mile from campus.

Campus plans for the continued development of housing for both graduate and undergraduate students are designed to assist the academic community with the recruitment and retention of student scholars. The SHMP identified as a goal housing 50 percent of the enrollment in a combination of University-owned and private-sector housing within one mile of the campus. Based upon this goal, the SHMP further identified a need for a total of 8,934 on-campus University owned bed spaces. With the completion of De Neve Plaza, currently under construction, and the abandonment of Mira Hershey Hall, on-campus housing will provide 6,497 bed spaces. An additional 600 students will continue to be housed through high-density (triple room) accommodations. Triple room accommodations, although not anticipated at the time the SHMP was developed, have proved to be a viable option for students who may not be able to otherwise afford on-campus housing. By providing 600 rooms through triple accommodations, the on-campus housing inventory will increase from 6,497 bed spaces to 7,097. With the addition of the initial 1,200 bed spaces in Phase 1 of Southwest Campus, the inventory of on-campus housing bed spaces will increase from 7,097 to 8,297.

Phase 2 of the Southwest Campus Housing project will provide approximately 800 additional bed spaces, bringing the total students accommodated to approximately 9,100, thus meeting the LRDP and SHMP minimum requirements.

Demand Data

The revised Student Housing Master Plan identified the total number of affordable, University owned bed spaces needed to increase the existing inventory for both undergraduate and graduate students and the specific campus location best suited for each type of housing.

The SHMP identified four primary goals for housing directly tied to the academic mission of the University. These are:

- A. Guaranteed housing to all freshmen who desire such housing for up to two consecutive years.
- B. Guaranteed housing for one year to all transfer students.
- C. Sufficient bed spaces for returning upper division students to maintain an approximate ratio of 50 percent entering freshmen to 50 percent returning residents in on campus housing.
- D. Guaranteed housing for the duration of their graduate programs to 50 percent of all new single graduate students, graduate student families, and medical interns and residents.

With the completion of De Neve Plaza in the summer of 2000 and the final phase of the University Village Family Student Housing Redevelopment project in 2001, the remaining campus shortfall in guaranteed bed spaces (assuming a steady state of enrollment trends) will be for new single graduate students, professional students, and upper division undergraduate students. The campus currently enrolls approximately 2,000 new entering single graduate students per year.

Meeting the guarantee of University housing to approximately 50 percent of the new single graduate student population through degree conferment requires approximately 3,000 bed spaces (1,000 new graduate students per year based upon historic enrollment data times three-year average length of stay based upon current apartment turnover rate at UCLA). The demand for these spaces and duration of stay was confirmed by graduate students through March and November 1998 graduate student housing surveys. These surveys indicate that UCLA has a current annual demand for approximately 1,400 new single graduate student housing spaces. Additionally, the survey data confirmed that on average graduate students require three years of housing to reach degree conferment. The campus will phase the development of the Southwest Campus Housing project to accommodate during Phase 1 a majority of the students who expressed interest in such accommodations. Phase 2 of the Southwest Campus Housing project will be based on enrollment data at the end of Phase I construction, demand for the new housing option, and the average length of stay for degree conferment.

Project Description

The major elements of Phase 1 of the project include approximately 487,000 asf of housing to accommodate 1,200 students; housing administration of 4,560 asf; a maintenance work area of 3,000 asf; academic and program support areas of 11,500 asf; 1,200 parking spaces, and site development. The housing component includes student and staff residences, lounges, laundry, vending, and trash disposal. The housing administration and maintenance areas include offices, a conference room, lobby, maintenance work shop and storage, and a student technology center. The academic and program support areas include offices for academic counseling, meeting and study rooms, a computer lab, multi-purpose rooms, exercise rooms, a convenience store, and a fax and copy room. Several alternatives to this project have been considered. The current project concept, however, comes closest to providing an environmentally rich combination of privacy, spaces, and activities that foster vitality and collegiality in the community of scholars. By providing affordable housing for the single graduate and upper division students, the campus will provide the resource that is needed to help recruit and retain outstanding graduate students in a residential community that will foster academic success with direct linkages to Graduate Division faculty, administrative staff, and related resources.

The project delivery method best suited for the Southwest Campus Housing, Phase 1 project is a modified design/build method. This delivery method will ensure University involvement in the development of the bid documents, so that quality control can be

assured, while still allowing for the contractor to use its expertise to create cost and time savings.

Financial Summary

Preliminary project cost estimates for Phase 1 are between \$128,000,000 and \$145,500,000, proposed to be funded by a combination of UCHS-Los Angeles campus reserves (\$3,997,000), parking service capital reserves (\$980,000), and external financing (\$123,023,000 to \$140,523,000). Of the external financing, current estimates anticipate approximately \$95,023,000 to \$110,873,000 allocable to housing, and \$28,000,000 to \$29,650,000 to parking. This range represents the low and high ends of current conceptual estimates. Repayment of the portion of this debt related to housing would be from excess net revenues of the UCHS generated by housing fees at the Los Angeles campus, which fees would be established at a level sufficient to meet the requirements of the UCHS Indenture. Repayment of the portion of debt related to parking would be from excess net revenues generated by parking fees at the Los Angeles campus, to meet the requirements of the financing.

Proposed Regental Action

The action requests Regental approval of preliminary plans funding for Phase 1 of the project. Approval of this action is recommended in order to allow the campus to proceed with hiring a design/build team for the project and to begin schematic design. This early work will allow the campus to begin environmental review in accordance with the California Environmental Quality Act on the selected site, as well as more closely define a specific scope of work and budget on this complex project. Elements of the project site, including elevation changes and roadways, will influence the design and costs substantially. A modified design/build project delivery method is being pursued for this project to ensure project quality control, gain the expertise of a design/build team to mitigate construction costs, and determine the most cost-efficient construction schedule.

The final scope, schedule, and budget for the project is contingent on the completion of schematic design and environmental reviews.

Future Regental Action Expected

The campus will return to The Regents at a time no later than design approval, anticipated in fall 2000, to request the amendment of the Budget for Capital Improvements and the Capital Improvement Program for the total project cost and approval of external financing.

Pursuant to the California Environmental Quality Act and the University procedures for implementation of CEQA, an Environmental Impact Report will be prepared to analyze the potential environmental effects for this proposed project. Both the design and the

environmental documentation will be presented concurrently in fall 2000 with the above-mentioned items.

Discussion of Items 2 through 7

Regent Montoya stated her concern that the removal of parking spaces caused by the southwest campus staging building at the Los Angeles campus will result in a severe parking crunch. UCLA Vice Chancellor Blackman explained that a substantial number of spaces have been added underground and that more stacked parking is being implemented. He believed that these mitigation measures will be adequate during the construction.

Regent Hopkinson asked why the Los Angeles campus is requesting approval for an expenditure of money pertaining to Royce Hall, a project that is already finished. Vice Chancellor Blackman explained that the Royce Hall project involved a complicated process of negotiations and funds acquisition based on the need for timely upgrading of a building that has historical landmark status, and on the question of how much of the cost FEMA would be willing to reimburse. Regent Hopkinson then asked about rental rates for student housing near the Los Angeles campus. Chancellor Carnesale responded that rents charged for University housing in Westwood are about 20 percent below market and range from \$1,300 to \$1,700 for two-bedroom, two-bath apartments. Regent Pannor believed that it was important for the University to keep its rents for on-campus housing as low as possible.

Regent Kozberg commented that she believed that the financing strategies used by the Los Angeles campus for the projects listed exemplify best practices and should be used as models for other campuses.

Regent Taylor asked why the Southwest Village housing project was not expected to be completed before 2003. Vice Chancellor Blackman responded that planning for the use and development of these critical 40 acres has been a long process that has been addressed one project at a time. He believed that it was moving forward on a fairly fast track.

Upon motion duly made and seconded, the Committees approved the President's recommendations as presented in items 2 through 7 and voted to present them to the Board.

8. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, SEISMIC SAFETY CORRECTIONS, STANLEY HALL REPLACEMENT, BERKELEY CAMPUS**

The President recommended, subject to the concurrence of the Committee on Finance, that the 1999-2000 Budget for Capital Improvements and the 1999-2003 Capital

Improvement Program be amended to include preliminary plans funding only for the following project:

Berkeley: B. Seismic Safety Corrections, Stanley Hall Replacement – preliminary plans – \$6,675,000 to be funded from gifts.

It was recalled that the Berkeley campus seeks approval to use \$6,675,000 of gift funds to complete preliminary plans on a major research and teaching laboratory building that will bring together physical scientists, biological scientists, engineers, and health scientists working at the intersection of these disciplines. This highly collaborative, multidisciplinary approach will make it possible to bring the research methods and approaches of each into the research environment of the other and follows on the establishment in 1998 of Berkeley's new Department of Bioengineering, itself an example of interdisciplinary collaboration.

Based on initial concept, the facility would be a 220,000 gsf, \$131.7 million teaching and research building funded by \$22.5 million of State funds and \$109.2 million of gift funds, including the single largest gift ever received by Berkeley, a \$50 million anonymous donation. Proposed fund sources for the preliminary plans are from gifts in hand. The total project cost is estimated to be \$131.7 million, to be funded from gifts (\$109.2 million) and State funds (\$22.5 million).

Approval to proceed with the preliminary plans phase of this project will allow the campus to refine the specific program requirements and hire the executive architect to develop a more defined scope of work and budget and complete schematic design for this large and complex project. The final scope, schedule, budget, and funding for the project is contingent on the completion of detailed programs, design, environmental reviews, and the availability of funds.

Project Description

The new facility will be located on the present site of Stanley Hall (65,000 gsf), one of the buildings identified as seismically "Poor" in the 1997 engineering study that resulted in the campus' Seismic Action Plan for Facilities Enhancement and Renewal. Initial analysis by the campus has shown that seismic strengthening of Stanley Hall cannot be accomplished in a cost-effective manner. Furthermore, at its present size, Stanley Hall can neither meet the campus' critical need for modern, sophisticated teaching and research facilities in emerging fields nor accommodate the interdisciplinary direction of those fields. Therefore, the most effective strategy to correct the seismic hazard at Stanley Hall is to redirect the State funding originally defined to cover the costs of its seismic rehabilitation to this project and to use the State's contribution toward replacement of the State-supportable space.

This proposed new teaching and research facility will offer unprecedented opportunities for researchers at Berkeley to join in interdisciplinary efforts, using powerful new tools

and technological advances from physics, chemistry, engineering, and computer science to address complex problems in biological research. These advances are revolutionizing the biological and physical sciences throughout the world and are creating enormous potential for both basic and applied research. Due to its many outstanding departments and faculty, the Berkeley campus is well positioned to lead the new interdisciplinary research taking place at the borders where these disciplines now overlap. Additional collaboration with San Francisco's health sciences faculty is also expected to lead to breakthroughs with important applications for the improvement of human health.

The collaboration of disciplines planned for this building is being driven, in part, by dramatic advances in the use of new research equipment such as non-invasive imaging, electron microscopy, and ultra-small devices. Berkeley's pioneering effort to enable these breakthroughs began in the past decade with its decision to reorganize discipline-based research programs along multidisciplinary lines. This new venture is the next important step in that evolution.

To develop this new interdisciplinary program, construction of a center is proposed for research and teaching at the intersections of these disciplines. The proximity of applied and theoretical research will enable the campus to capitalize on the immense new opportunities. The new building will also support undergraduate and graduate education in the sciences through the provision of modern classrooms, teaching laboratories, and common student areas.

The campus plans to submit a full budget plan to the Office of the President in the summer of 2000 in conjunction with its annual request for State capital improvement funds. The project will be included in the 2001-02 Regents' State Budget for Capital Improvements requesting working drawing funding. Items requesting design approval and certification of any environmental documentation required will be presented at the appropriate time.

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

9. **APPROVAL OF UNIVERSITY OF CALIFORNIA 2000-01 BUDGETS FOR CURRENT OPERATIONS AND FOR CAPITAL IMPROVEMENTS**

The President recommended that:

- (1) The Committee on Finance recommend to The Regents that the expenditure plan included in the *2000-01 Budget for Current Operations* be approved.
- (2) Subject to concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend to The Regents that the 2000-01 Budget for Capital

Improvements be approved as presented in the document titled *2000-01 Budget for Capital Improvements*.

- (3) The Committee on Finance concur with the recommendation of the Committee on Grounds and Buildings that the 2000-01 Budget for Capital Improvements be approved as presented in the document titled *2000-01 Budget for Capital Improvements*.

2000-01 Budget for Current Operations

It was recalled that the document titled *2000-01 Budget for Current Operations*, dated October 1999, had been discussed at the Joint Meeting of the Committee on Finance and Committee on Grounds and Buildings on October 14, 1999. The expenditure plan presented in the document summarizes the University's budget request. The total requested budget increase from State and UC general fund income is \$253.8 million (7 percent) when calculated on a base that includes programs funded from State and UC general funds, and student fees (Educational Fee, University Registration Fee, and the Fee for Selected Professional School Students).

The University's 2000-01 budget plan, which builds upon the successful strategies of the last five years, was developed in anticipation of reaching an agreement with the Governor on a new partnership. A new partnership would continue to provide the University with fiscal stability and the resources needed to accommodate projected enrollment growth and to maintain quality. As part of the new partnership, the University would agree to meet several specific accountability measures.

The goals of the University's 2000-01 budget plan are to fund enrollment of an additional 6,000 students, representing nearly a 4 percent increase over 1999-2000; to maintain competitive faculty salaries; to continue to fund the University's merit program which is key to recruiting, retaining, and rewarding the best faculty and staff; to provide for other inflationary adjustments; and to strengthen the quality of the University's undergraduate instructional program. The basic budget plan for 2000-01 will also provide funding to operate and maintain new space as well as increased funding for deferred maintenance and a multi-year program to address the permanent budget shortfalls in ongoing building maintenance, instructional technology, instructional equipment, and libraries.

In addition to the increases included in the University's 2000-01 basic budget plan, the University has identified several high-priority research and public service initiatives. Funding for these initiatives will be in addition to the funding for the basic budget anticipated as part of a new partnership and will depend upon the State's fiscal situation. At the October Regents' meeting, during discussion of the proposed 2000-01 budget, questions arose about possible new initiatives for both agricultural research and student support services. The Office of the President is exploring options, including the

possible development of a proposal for consideration by the legislature and the Governor in the spring or for inclusion in the 2001-02 budget.

The 2000-01 budget plan assumes that funding equivalent to a 4.5 percent increase in mandatory systemwide student fees will be available to provide for salaries, benefits, and cost adjustments to portions of the budget funded by student fee revenue. The budget also assumes that at least one-third of the increased revenue that would be generated by a 4.5 percent increase in student fees would be used to support need-based financial aid. If the budget plan is to be fully funded, either the State will need to provide sufficient funds to the University to keep fees at current levels or student fees will have to be increased.

In each of the last five years, the State has taken action to offset the budgetary impacts of maintaining student fees at 1994-95 levels and in the last two years to provide funding to offset the revenue lost from reducing fees by 10 percent for California resident undergraduates and 5 percent for California residents enrolled in graduate academic programs. Thus, while the 2000-01 budget plan is based upon the revenue that would be generated by a 4.5 percent increase in student fees, The Regents will not be asked to take action to change fee levels until after it is known whether funding to offset the need to increase student fees is included in the Governor's January budget.

The University's budget request is the minimum needed to maintain quality, to be able to offer a space to all eligible California high school graduates, and to provide the classes students need to graduate in a timely manner.

2000-01 Budget for Capital Improvements

The University's 2000-01 capital budget request of \$212.7 million in State funds to support its capital outlay program is funded from general obligation bonds that were overwhelmingly approved by voters in November 1998. This level of funding is essential to maintain progress on seismic and other life-safety improvements, to address essential infrastructure and building renewal needs, and to upgrade and expand academic facilities necessary to support the resumption of enrollment growth, particularly in the sciences and engineering. The 2000-01 State capital budget request has three categories. The first includes \$3.1 million to equip four projects for which construction has already been approved by the State. The second category includes \$14.3 million for the design and construction of the initial infrastructure and the design of the first two buildings on the Merced campus. The third, and by far the largest category, includes \$195.3 million to fund 32 major capital projects. Of the 32 major capital projects, funds are requested to support construction or complete design and undertake construction for 24 projects and to begin or continue design on 8 projects.

Twelve of the 32 major capital projects correct serious seismic life-safety hazards; 6 projects involve the modernization and renovation of buildings to accommodate academic programs; 8 projects involve new buildings to expand instruction, research,

and academic support facilities to accommodate enrollment growth; and infrastructure renewal or expansion is the focus of 6 projects.

Vice President Hershman provided an update on the budget. He reported that State revenue is \$600 million over budget for the first four months of the fiscal year. The Legislative Analyst is projecting a reserve at the end of the year of \$2.6 billion and a revenue growth of about 6 percent in the near term. As noted above, the University's budget plan with regard to State funds is based on a partnership agreement with the Department of Finance and the priorities established by The Regents over the last several years. The University is requesting a 7 percent increase in funding, the major components of which are salary increases and enrollment growth. An additional 1 percent is expected for funding core needs such as maintenance, libraries, and instructional equipment and technology. The budget includes an initiative to improve the quality of undergraduate education. With respect to student fees, there is no proposal in the budget. He noted that the University must either increase student fees to cover costs or have the State buy out the cost.

Mr. Hershman recalled that, in addition to the basic budget plan, there is a set of priorities in research and public service. There is a request that the State fund summer enrollment for existing students and growth at the same level as it does during the rest of the year.

The capital budget contains a request for \$212 million to be funded from a State general obligation bond issue approved by the voters. Mr. Hershman reported that capital projects are being reviewed in detail with the Department of Finance.

Mr. Hershman reported that the budget staff has been working with Regent Pannor and the undergraduate student association on a plan to garner additional State funding to restore student services. A proposal on agricultural research is also being developed.

Regent Montoya asked about the costs of operating year-round. Mr. Hershman explained that the University will charge the same fees during the summer as for the rest of the year rather than the higher fees it does currently. It is hoped that the State will cover the difference and provide financial aid for the summer expansion. Regent Montoya recalled that learning centers were planned for the central valley that would provide outreach for high school and community college students. Mr. Hershman responded that the University is using funding received from the State in the previous year to develop centers in Bakersfield, Stockton, and Merced.

Regent Pannor reported that the UC Student Association and the Council on Student Fees agree that there is a real need to restore student services affected by budget cuts in the early 1990s and projected enrollment growth. She noted that desirable student services include advising, financial aid, retention centers, disabled student programs, and housing. Mr. Hershman noted that the State does not fund student services. The University is examining the priorities in these areas. UCSA representatives advocate

foregoing fee reductions and spending that money on student services. Regent S. Johnson noted that The Regents need to provide strong direction when there is a threat that money will be taken away from one area to fund another.

Regent Hopkinson asked about the base number for enrollment. Mr. Hershman explained that the budget is based on FTE general campus enrollment, which for 1999 is 152,400. Health sciences enrollment adds another 12,200. Actual enrollment in the current year will be about 1,000 over that, making total enrollment 168,000.

Regent Hopkinson noted that she had expressed concerns about Regents having a chance to indicate their budget priorities early in the budget process. President Atkinson indicated that the Regents will have an opportunity during the year to discuss strategic directions and priorities as a precursor to starting the budget process.

Regent Bagley urged the Regents to persuade influential lawmakers to use the State's budget surplus on one-time expenditures for capital outlay.

Regent S. Johnson asked for details of the financial plan for UC Merced. She expressed concerns about the availability of sufficient State support into the future. Mr. Hershman recalled that a description of funding requirements for the first five years appeared as part of the capital budget. President Atkinson agreed to schedule a discussion of the capital needs of UC Merced for the January meeting.

Regent Kozberg asked whether there has been any precedent for supporting capital construction by using general funds rather than bond funds. Mr. Hershman recalled that bond funding had been used exclusively since the term of Governor Deukmejian.

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

[For speakers' comments, refer to the minutes of the November 18th afternoon meeting of the Committee of the Whole.]

The meeting adjourned at 11:05 a.m.

Attest:

Secretary