The Regents of the University of California

COMMITTEE ON GROUNDS AND BUILDINGS
COMMITTEE ON FINANCE
September 18, 2002

The Committees on Grounds and Buildings and Finance met jointly on the above date at UCSF–Laurel Heights, San Francisco.

Members present:	Representing the Committee on Grounds and Buildings: Regents Atkinson, Hopkinson, Johnson, Kozberg, Ligot-Gordon, Marcus, Moores, and Sainick; Advisory members Bodine and Seigler Representing the Committee on Finance: Regents Atkinson, Hopkinson Lee, Ligot-Gordon, Montoya, Moores, Parsky, and Preuss
In attendance:	Regents Blum, Davies, Pattiz, and Terrazas, Regent-designate Murray, Faculty Representatives Binion and Pitts, Secretary Trivette, General Counsel Holst, Treasurer Russ, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Doby, and Hershman, Chancellors Berdahl, Bishop, Cicerone, Córdova, Dynes, Greenwood, Tomlinson-Keasey, Vanderhoef, and Yang, Laboratory Director Shank, Vice Chancellor Blackman representing Chancellor Carnesale, and Recording Secretary Bryan

The meeting convened at 10:18 a.m. with Committee on Grounds and Buildings Chair Marcus presiding.

1. **APPROVAL OF MINUTES**

Upon motion duly made and seconded, the minutes of the meetings of May 16 and July 18, 2002 were approved.

2. **STATUS OF 2002-03 BUDGET FOR CURRENT OPERATIONS AND THE BUDGET FOR CAPITAL IMPROVEMENTS, AND POLICY AND FISCAL CONSIDERATIONS GUIDING THE DEVELOPMENT OF THE 2003-04 BUDGET**

Vice President Hershman recalled that at the July Regents meeting, an update was presented on the status of the State budget and the budget plan for the University that had been adopted by the Senate at the end of June. The update included a discussion of the fiscal problems facing the State for 2003-04 and current planning for the University's 2003-04 budget request.

Although the actual budget bill passed by the Senate at the end of June was ultimately adopted by the Assembly on August 31 and signed by the Governor on September 5, it was amended significantly by accompanying legislation that added Control

Sections 3.90 and 3.91, as described below. This legislation was part of the effort to reach a budget compromise in the Assembly. As part of that compromise, the Governor's plan to increase cigarette taxes and to reinstate earlier vehicle license fee levels was rejected. Elimination of these revenue-raising measures left the State budget with $1.8 billion less in revenue than was assumed in the budget adopted by the Senate in June. The budget compromise closed that gap by lowering the funding for K-12 schools, including more revenue enhancements in the budget package, and adding the new Control Sections to the Budget Act, which among other things do the following:

- Authorize the Governor to reduce appropriations for State operations by up to 5 percent of the amount of expenditure authority appropriated in the Budget Act of 2002 to reflect a total reduction of up to $750 million. The Department of Finance is to base the allocation of reductions on plans to be submitted by each State agency.

- State that these reductions shall be specific reductions in positions or items of expenditure. The plan shall categorize each reduction as to whether it eliminates resources in excess of those needed to carry out programs effectively or whether the reduction will have a programmatic effect, in which case the plan shall identify that effect.

- Require the Department of Finance to report on the reductions made as part of the Governor's Budget submitted in January 2003.

- Limit total expenditure authorizations from the General Fund for the 2003-04 fiscal year to the total revenues to the General Fund for the 2003-04 fiscal year.

The Governor also vetoed $235 million from the budget; however, none of these vetoes affected any provisions in UC's portion of the budget.

The $750 million undesignated reduction authorized in the new control sections of the budget prevent the University from finalizing its spending plan for 2002-03. The Department of Finance has indicated that the process for implementing the provisions contained in the added control sections could take many weeks. The University is working closely with the Department of Finance to minimize the impact of these reductions on the University's budget. Formal action on the 2002-03 budget will be deferred until the November meeting or, if necessary, a special meeting.

Vice President Hershman discussed the implications for the University of additional budget reductions in the current year. He noted that, as the State deficit continues to increase, the budget as passed may be in increasing difficulty during the year. The up to 5 percent cut will be from State operations, which include the University, California State University, prisons, debt service, and State government functions. The

University's administration has begun to review its options not just with respect to the current year but also next year. While it is clear that the Governor and the Department of Finance view education as a priority, the point must be made that the University will be over-enrolled in the current year by as many as 4,000 students. UC has taken a strong position all year that it is critical to maintain support per student as the University grows. The University is concerned also about salaries for staff and faculty who must be hired. The salaries of these two groups will be about 7.5 percent behind the comparison institutions for the current year, and they are having to pay more for health benefits. The University has sustained cuts in research and public service. Mr. Hershman believed that it would be impossible to implement cuts of the magnitude contemplated without significantly reducing the quality of the University.

Regent Davies believed that over-enrollment was likely to affect the quality of the educational experience at the University. Although the University receives more in the way of fees, classes have to be bigger and facilities become more cramped. It does not offer a solution to budget problems.

At this point, President Atkinson invited University of California Student Association chair Stephen Klass to present comments on the budget. Mr. Klass provided a brief update on the association's action agenda for the upcoming year and the budget priorities of students. He announced that the association's first campaign of the year will be to improve student participation in the democratic process by working to get out the vote. The association is also beginning a campaign against the race privacy measure designed to educate students about the need to understand social inequity through the collection of racial data. The association will also continue its campaign against increasing tuition. Its budget priorities reflect its devotion to the key education issues of accessibility and affordability. As part of its campaign against increased tuition, it is lobbying to make graduate student stipends tax free and to protect the budget for outreach.

3. **FACULTY, STAFF, AND ADMINISTRATIVE SALARIES**

Vice President Hershman discussed the policy considerations and fiscal circumstances affecting development of the University's 2003-04 budget request in light of the State's current and potential budget shortfalls and the request by the Department of Finance that the University examine options for making up to a 20 percent budget cut.

Mr. Hershman recalled that at the July meeting he had indicated that the thinking for 2003-04 was to limit the budget request to the partnership with the Governor, with no consideration of restoring past losses or making improvements. The intention will be to focus on the basics. A 4 percent increase for salaries and benefits is a cornerstone of the partnership. The University will ask for support for normal enrollment growth, which would be 8,000 more students, plus funding for the current year's over-enrollment. Support for extending the summer program to all the campuses will be sought. Following eight years without fee increases and with a 10 percent reduction in funding, to maintain the partnership without a fee buyout the University would need a 9 percent increase, which is not realistic. The University cannot bear another year of having the State refuse to buy out fee increases while expecting The Regents not to raise fees. Also, according to a California Postsecondary Education Commission report, faculty salaries are 7.5 percent lower than market, and the University is losing the ability to compete for both faculty and staff. It is essential to get funding from the upcoming bond issue to accommodate enrollment, provide safe facilities, and renovate obsolete facilities and infrastructure. Mr. Hershman observed that the challenges posed by these conditions are enormous and will make it difficult for the University to maintain quality as it grows.

Regent Montoya had questions about the preparation of the CPEC report on salaries. She suggested that the report might more appropriately have been done in house, and she disagreed with its methodology, noting that it contained no reference to a report completed in 1995 by the University's task force on administrative compensation, nor did it reference a recent report by the Bureau of State Audits which concluded that the University's management is growing too rapidly and that administrative salaries are growing too much, particularly in relation to the salaries of faculty. Vice President Hershman recalled that there was an historic arrangement with CPEC concerning the methodology for comparing faculty salaries and that the Legislature had always been interested in the results of that report. When the issues came up about management salaries, the legislature supported the University's decision to have a similar report produced. Senior Vice President Mullinix listed the schools that were used to make the comparisons. He noted that, using the comparison schools, the University conducts its own studies on its individual salary levels. The CPEC report that was referenced focused on the salaries of presidents and chancellors.

Regent Moores expressed concern about the salaries the University pays its chancellors, who he believed to be a particularly outstanding group of administrators. He noted that the chair of the University of Texas trustees had stated publicly that its system was willing to pay as much as it took to hire the best people for its top positions.

Regent Lee observed that holding salary increases to not more than a few percent will not contribute significantly to solving the University's budget problems and that even a minimal increase may not be possible in the current economic climate. He believed that the issue of providing affordable housing was more important in attracting and keeping faculty.

Regent Davies agreed. He believed it would be timely to discuss what priorities should be set in trying to address the major funding gap that inevitably will develop in the coming year. He stressed that, in light of the possibility of budget cuts of up to 20 percent, it was unrealistic even to consider being able to raise salaries and not having to raise student fees. Vice President Hershman indicated that there would be a presentation on the budget at the November meeting, when more is known about the extent of the cuts. Regent Davies was opposed to waiting until then to address the issue because the general outcome of the budget negotiations has been predicted already.

Regent Pattiz acknowledged the importance of getting the bond issue passed and asked what will happen if it fails. Mr. Hershman observed that when past bond issues had failed, the Legislature had reexamined its position with respect to the budget. It would be likely that projects funded in the current year would not go forward and that the issue would be reopened next year, with the possibility that some projects could move forward using some other form of financing.

Regent Ligot-Gordon encouraged the Regents to reaffirm their commitment to outreach. He believed that those programs were fundamental to the University's mission.

4. **STATUS REPORT ON PROPOSITION 47: 2002 K-UNIVERSITY PUBLIC EDUCATION FACILITIES BOND CAMPAIGN**

It was recalled that the K-University Public Education Facilities Bond Acts of 2002-2004, endorsed by the Board at its May 2002 meeting, would provide the University of California with approximately $1.380 billion over the next four years. Of this total, $408.2 million is contained in Proposition 47, which voters will consider on the November 5, 2002 ballot.

The President and other University officials, as authorized by The Regents, are organizing an information program to explain the important nature of the bond measure in ensuring that projected enrollment growth can be accommodated, that essential infrastructure is repaired or replaced, and that critical earthquake, fire, and life-safety improvements are made at the University's campuses. The information program consists of several components:

- The Office of the President has organized systemwide working groups, which meet weekly to review the range of campus activities under way, coordinate systemwide initiatives, and ensure that University representatives confine their activities to legally permissible informational efforts.

- A public web site is available with information about the bond measure. It includes a press release on The Regents' endorsement, Q&A, a fact sheet, and a list of University projects slated for funding.

- The University is continuing to seek resolutions of support from University alumni associations, foundations, and other volunteer-based organizations.

In addition, Senior Vice President Darling and Chancellor Cicerone continue to represent the University on the Board of Californians for Higher Education (CHE), the committee that coordinates campaign activity on behalf of the University of California, the California State University, and the California Community Colleges. Senior Vice President Darling also serves on the Finance Committee of the "Yes on Prop. 47" campaign steering committee that includes representatives from K-12 and the business and technology communities. The Finance Committee is responsible for overseeing the activities of Woodward & McDowell, the campaign consultants hired to manage the campaign.

It is expected that the "Yes on Prop. 47" campaign will cost approximately $7 million. Higher education's share will be approximately $1.2 million, of which $338,000 will be contributed by the University of California Campus Foundations.

Senior Vice President Darling reported that passage of the bond issue is questionable. There are both political and public information elements of the campaign. Fundraising for the political campaign is on target and on schedule. Television and radio time have been purchased for October and early November, and material has been put together in seven languages for distribution. Concerning the public information, the campuses have mounted a major effort to inform their alumni, donors, faculty, and staff in conjunction with K-12, the community colleges, and the California State University. There is a major drive to have students register to vote by October 3 and to persuade voters to sign up to vote by mail. Also, editorial board meetings are scheduled, the first of which is with the **Los Angeles Times**. Mr. Darling noted that, on the positive side, there is strong public support for education. On the negative side, public confidence in the economy is weak, nor is the public confident about the State's ability to take on more debt. An unprecedented number of local bond measures will appear on the ballot alongside the State bond measures, which causes confusion. Many people do not realize that to get full funding for schools and colleges they need to pass both the local bond and the State bond, which provides matching funds. A Field poll indicated that there is only a 54 percent favorable reaction by the likely electorate. He believed that it was incumbent upon each Regent to lobby for support in his or her community. Assistant Vice President Reese, who is assisting with the campaign, noted that a poll showing only a 54 percent margin in August is troubling in that traditionally the "yes" votes for an initiative drop in the last weeks of a campaign. It is a high priority to increase the likely voter turnout.

5. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR NORTHWEST CAMPUS UNDERGRADUATE STUDENT HOUSING, LOS ANGELES CAMPUS**

The President recommended that:

(1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

Los Angeles: Sproul Hall First Floor Renovation – preliminary plans, working drawings, and construction – $9,765,000 to be funded from external financing ($8,765,000) and the Los Angeles campus' share of the University of California Housing System Net Revenue Fund ($1,000,000).

Los Angeles: Hedrick – North Residence Hall and First Floor Renovation – preliminary plans, working drawings, and construction – $67,093,000 to be funded from external financing ($63,504,000) and the Los Angeles campus' share of the University of California Housing System Net Revenue Fund ($3,589,000).

Los Angeles: Rieber - North and West Residence Halls and First Floor Renovation – preliminary plans, working drawings, and construction – $120,756,000 to be funded from external financing ($111,616,000) and the Los Angeles campus' share of the University of California Housing System Net Revenue Fund ($9,140,000).

(2) The Committee on Finance concur with the recommendation.

(3) The Committee on Finance recommend that financing be obtained not to exceed $183,885,000 to finance the 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. As long as the debt is outstanding, University of California Housing System fees for the Los Angeles campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing; 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 three capital projects totaling $197,614,000 are associated with the Northwest Campus Undergraduate Student Housing plan. The projects will construct three undergraduate residence halls and renovate the first floors of three high-rise northwest campus residence halls. The projects, which will supply 1,946 student beds, 41 non-revenue-producing student resident assistant beds, and 9 faculty and professional staff apartments, will encompass approximately 376,268 new assignable square feet.

The Northwest Campus Undergraduate Student Housing plan is a component of the UCLA Student Housing Master Plan, which links student housing program goals to institutional objectives in support of the campus' academic mission and continues the significant progress made to date in transforming UCLA from what was predominately a commuter campus to a residential university.

Statement of Need

The master housing plan demonstrates a demand for a minimum of 4,800 bed spaces, including 2,200 new bed spaces for single undergraduate students and 2,600 new bed spaces for single graduate students, by the year 2010. Existing demand for accommodations is linked to the Master Plan, which recommended guaranteed housing for the following: all freshmen who desire such housing for four consecutive years; for two years to all transfer students; for two years to all single graduate students; and for students with spouses and/or children as long as the student is making normal academic progress to degree. The campus does not have sufficient housing facilities to fulfill these goals. The master planning effort identified a long-term need for 14,499 bed spaces by the year 2010. With the addition of 1,987 planned undergraduate bed spaces in the northwest campus and 2,000 graduate bed spaces in the southwest campus, the inventory level will increase to 13,670 bed spaces, which would still be 829 bed spaces short of the campus goal.

Undergraduate Student Need

In fall 2001, there was an unmet need for upper division undergraduate student housing of approximately 733 beds, and the campus was forced to convert some double-occupancy rooms to three-person accommodations. This situation compromises the quality of the residential experience and places strain on the facilities. Such triple rooms need to be largely eliminated.

The combination of anticipated increases in campus enrollment by 2010, the additional beds required to meet a four-year housing guarantee for first-year students, and the reduction of triple rooms to a more manageable number will bring the unmet need to 2,216 undergraduate bed spaces in 2010-11. With the completion of the proposed 1,987 beds associated with the Northwest Campus Undergraduate Student Housing plan, the campus will be able to accommodate 10,161 undergraduate students, which will result in a shortfall of 229 beds for undergraduates in 2010-2011.

Project Description

The three new residence halls will accommodate beds, dining facilities, commons facilities, and related support space. The eight or nine story buildings will be constructed of concrete.

The first floors of Sproul, Hedrick and Rieber Halls will be renovated to provide community support and programming for existing and additional residents. The first floors will accommodate administrative and dining functions, learning and study areas, and recreation and social areas.

Most of the residential rooms will have two double-occupancy bedrooms with connecting bathrooms. There will be 410 beds in single-room suites, each consisting of 10 single, private bedrooms with a common living room and two bathrooms. The remainder will be double-occupancy rooms with private bathrooms and single bedrooms with bathrooms for the resident assistants. In addition, the project will have nine non-revenue faculty apartments to stimulate interaction between faculty and students and support the campus residence life programs.

Site development work for the project includes reconfiguring the existing utilities distribution system and augmenting the Northwest campus sewer system. Existing pedestrian and vehicular access to the area will be improved.

Project Cost

Due to the constraints of topography and existing structures, the new residence halls will be designed as mid-rise structures. The concrete structure required in a mid-rise building is more costly than typical wood-frame housing projects. Also contributing to the cost of the project is the need to demolish the existing Housing Administration

Building and a vending storage building and to remove surface parking lots. The demolition of the Housing Administration Building will trigger the need for the Sproul First Floor Renovation to provide program space lost as part of project site acquisition. A new vending storage building will be located adjacent to Rieber Hall.

Environmental Classification

Pursuant to the California Environmental Quality Act and University procedures for implementation of CEQA, the potential environmental effects of the proposed Northwest Housing Infill project will be analyzed as a project-specific component of the 2002 Long Range Development Plan environmental impact report currently under way. Both documents will be presented to The Regents for review at the time of project design consideration.

Financial Feasibility

The total project cost of $197,614,000 will be funded from external financing ($183,885,000) and Los Angeles campus reserves from the University of California Housing System ($13,729,000).

The housing and related programmatic facilities to be constructed as part of the Northwest Campus Undergraduate Student Housing project will be added to UCHS. When these projects are completed in 2006-07, the rate structure for the pre-existing on-campus housing bed spaces will have been increased by approximately $1,248 for an academic year contract to support the annual operational and debt service costs. Among all campus student housing facilities, rates are projected to increase between $1,880 and $2,715.

The campus has developed a rate increase strategy to meet the financial obligations associated with the housing program's capital development plan. The planned rate increases encompass the ongoing operational increases as well as debt associated with recently approved projects and projects to be proposed for Regents' action within the planning horizon. These rate increases accommodate the capital program while spreading the overall increases over five years.

Financial Plan - New Housing

The housing component of the project ($178,068,000) will be financed with a combination of $165,539,000 in debt financing and $12,529,000 in UCHS Los Angeles campus reserves. Assuming a loan term of 30 years at 6.125 percent interest, average annual debt service is estimated at $12,188,000. Repayment of the debt will be from net revenues of UCHS generated by housing fees at the Los Angeles campus, which fees will be established at a level sufficient to meet the requirements of the UCHS indenture and other financing requirements.

Parking Services will be compensated for the replacement of surface parking spaces displaced by this project. The estimated replacement cost of $3,683,000 will be funded by the Los Angeles campus' share of the UCHS net revenue fund.

The projected housing rates for these new bed spaces will range from $12,395 to $13,340 per academic year per student, with an average rate of $12,655 for fall 2006. These rates are inclusive of housing, board, and custodial and student services. In addition, utilities, cable television and high-speed access to the campus backbone, which will be valued at approximately $109 per month per student in 2006-07, are included in a typical room and board residence hall contract.

Financial Plan - Renovations

The renovation component of the project ($19,546,000) will be financed with a combination of $18,346,000 in debt financing and $1,200,000 from the Los Angeles campus' UCHS reserves. Assuming a loan term of 30 years at 6.125 percent interest, average annual debt service is estimated at $1,351,000. Repayment of this portion of the debt will be from excess net revenues of UCHS generated by housing fees at the Los Angeles campus, which fees will be established at a level sufficient to meet the requirements of the UCHS Indenture and other financing requirements.

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 APPROVAL OF EXTERNAL FINANCING FOR MERCED GARDEN SUITES AND LAKEVIEW DINING FACILITIES, MERCED CAMPUS**

The President recommended that:

A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

> Merced: Merced Garden Suites and Lakeview Dining Facilities – preliminary plans, working drawings, construction, and equipment – $28,235,000 to be funded from external financing.

B. The Committee on Finance concur with the recommendation.

C. The Committee on Finance recommend that financing be obtained not to exceed $28,235,000 to finance the 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 the debt is outstanding, University of California Housing System fees for the Merced campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing.

(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 Merced Garden Suites and Lakeview Dining Facilities project will supply 586 student revenue beds and 17 non-revenue beds, at a cost of $28,235,000. A combination of undergraduate and graduate students will be accommodated in suites and will be provided with associated community and support space, dining space, and a parking lot.

The Garden Suites and Lakeview Dining project is essential to meet the needs of students entering in fall 2004 and to accommodate enrollment growth through 2005-06. This component of the campus long range housing plan is the first of two projects planned to address demand for housing through the early portion of the first phase of campus development.

In January 2002 The Regents approved amendment of the 2001-02 Budget for Capital Improvements and the 2001-04 Capital Improvement Program to include preliminary planning for this project in the amount of $1 million. Since that time the project has been modified slightly as a result of efficiencies realized during the programming and schematic design work.

It is the goal to house 50 percent of all students on campus and to guarantee housing for 100 percent of the freshman population, with the expectation that 75 percent will actually occupy it. Additionally, UC Merced will provide limited housing to continuing and undergraduate transfer students as well as to some graduate students. Independent market analysis indicates that the cities of Merced and Atwater cannot contribute significantly to housing UC Merced students. The local vacancy rate for apartments is close to one percent.

Project Description

The project is in the West Neighborhood of campus near the first set of academic buildings and adjacent to future student recreation facilities and playing fields. The two-story back-to-back eight-plexes will provide community and support space, a dining facility, and a 340-space surface parking lot. The 162 apartment units will be arrayed in a combination of two- and three-bedroom suites and 32 studio apartments reserved for residence life staff and graduate students. The project will fund the shell and core of the dining complex. Tenant improvements will be provided by the food services provider. Construction will begin in spring 2003 and be completed by fall 2004.

CEQA Classification

This project has been evaluated in the LRDP EIR for the Merced campus, certified in January 2002.

Financial Feasibility

The project cost will be funded from external financing. Assuming 30-year financing of $28,235,000 at 6.125 percent interest, the average annual debt service will be $2,079,000, to be repaid from the Merced campus' annual net revenues.

After initial occupancy in 2004-05, campus projections include a 4 percent average annual housing rate increase to cover increases in operating expenses, future debt, and other facilities needs. Double-occupancy rental rates will increase a total of $84 per month per bed to an average rate of $753 in fiscal year 2007-08, four years after the opening of the project. Single-occupancy rental rates will increase a total of $98 per month per bed to an average rate of $885 in fiscal year 2007-08. The campus rental rates will be slightly higher than the local market.

Tenant improvements and subsequent operation of the dining facility are to be supplied by a third-party provider. A food service provider has been selected in accordance with Regents' policy on procurement and will be contracted with to supply all design and construction services required to build out the shell and core of the dining complex and to furnish and install the equipment required to make the facility fully operational. Upon completion of this work, the third-party provider will be responsible for the complete operation of the dining facility for a period of seven years. The campus contract for base rent with the third-party provider will include a payment of approximately $355,000 per year, exclusive of other income from profit sharing, if any.

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 FOR HOPKINS PARKING STRUCTURE, SAN DIEGO CAMPUS**

The President recommended that:

A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

San Diego: Hopkins Parking Structure – preliminary plans – $1 million to be funded from parking reserves.

B. The Committee on Finance concur with the recommendation.

The Committees were informed that the Hopkins Parking Structure will contain approximately 1,100 spaces, at an estimated total project cost of $22 million to be funded by external financing.

In June 2000, UCSD's Transportation Policy Committee (TPC), comprised of faculty, students, and staff, updated the campus strategy to address transportation and parking needs. The TPC outlined strategies to meet increased parking demands created by campus growth and identified alternatives to meet the new demand most effectively. The recommendations include the following:

- Begin planning two new parking structures to be occupied by 2004-05 and 2006-07.
- Expand campus shuttle programs, alternative transportation programs, and bicycle network facilities to reduce single-occupancy vehicle trips during peak traffic and parking hours.
- Work with the public agencies responsible for mass transit operations to expand the scope of services provided for UCSD commuters, including the provision of light rail transit services.

Project Description

The Hopkins Structure is expected to be six levels with a total of approximately 1,100 parking spaces. The structure will be located on North Campus, on the turf area to the east of the Social Sciences Building. Construction will begin in winter 2004 and will be completed in winter 2005.

CEQA Classification

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

Funding Plan

The estimated cost of $22 million will be funded from external financing. The initial funding of the preliminary plans phase will come from parking reserves that will be replaced with external financing following Regental approval. Repayment of the external financing will be from UC San Diego parking system net revenues.

Future Regental Action

The campus will return to The Regents in January 2003 to request amendment of the Budget for Capital Improvements and the Capital Improvement Program for the total cost of all future phases of the project and for approval of external financing.

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 APPROVAL OF EXTERNAL FINANCING FOR CAMPUS PARKING STRUCTURE 2, SANTA BARBARA CAMPUS**

The President recommended that:

A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

> Santa Barbara: Campus Parking Structure 2 – preliminary plans, working drawings, construction, and equipment – $16,409,000 to be funded from external financing ($12,751,000), parking reserves ($3,500,000), and campus funds ($158,000).

B. The Committee on Finance concur with the recommendation.

C. The Committee on Finance recommend that the President be authorized to obtain financing not to exceed $12,751,000 to finance the 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 the debt is outstanding, parking fees for the Santa Barbara campus, which together with other related income, will generate sufficient net revenues to pay debt service and to meet the related requirements of the external financing.

(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 Campus Parking Structure 2 (CPS2) will accommodate 607 vehicles in a five-level structure built in conjunction with the California NanoSystems Institute building (CNSI). The parking structure will contain space for a food facility to be leased by UCSB Dining Services and an area, funded by campus funds, to house electrical switch rooms and an emergency generator for CNSI. The Regents has approved the expenditure of $1 million in parking reserves to complete preliminary plans and develop a cost estimate for the working drawings, construction, and equipment for the structure, which shares the same site and project architect as the California NanoSystems Institute building project.

Overview of Supply

The 1990 UCSB Long Range Development Plan identifies most existing surface parking lots as building sites. Between 2002 and 2007, the campus will construct eight new buildings, six of which will be on parking lots. Completion of the first two buildings will reduce total campus parking by 22 percent in less than five years.

The magnitude of parking losses will create a large deficit in regional availability as well as in the overall parking supply. The east side of campus will be most affected, with a loss of 604 spaces, reducing the available supply in that region by 53 percent. The decreased supply, coupled with the projected enrollment targets and the associated growth in faculty and staff, is expected to increase the demand for parking.

Future Demand Projection

As of fall 2001, the Santa Barbara campus served the parking needs for approximately 24,700 students, staff, and faculty. Based on campus estimates, the campus population and related visitors, guests, emeriti, and vendors is expected to increase by an average

1.6 percent per year over the next decade. Without the replacement of lost parking spaces and continued emphasis on transportation alternative programs, demand is expected to exceed supply in all regions of the campus.

Project Description

The design configuration of a five-level, two-bay, rectangular parking structure includes three entry and exit lanes and two-way circulation flow. The structure will be located east of Engineering II, with the future Engineering Sciences Building to the west of CNSI, north of Kohn Hall, and bordered by Mesa Road along the north side. The CNSI building and Campus Parking Structure 2 will have access off Mesa Road. The CNSI building and parking project will displace approximately 400 parking spaces from Parking Lot 10.

Construction of CPS2 is scheduled to begin in December 2003, with occupancy in July 2005.

CEQA Compliance

An Environmental Impact Report will be prepared and presented for consideration at the time of the project's design approval. The campus will concurrently amend its 1990 Long Range Development Plan to include the Campus Parking Structure 2 building site.

Financial Feasibility

The Campus Parking Structure 2, estimated at $16,409,000, will be funded with external financing ($12,751,000), parking reserves ($3,500,000), and campus funds ($158,000).

Based on external financing of $12,751,000 at 6.125 percent interest for 30 years, the annual debt service is $939,000. With estimated net revenue of $2,441,000 (in FY 2005-06), this project meets the requirements of the external financing. The debt will be repaid from parking permit revenues and revenues accruing from the food service facility in the form of lease payments.

The cost of parking permits, currently at a monthly rate of $35, is the same for faculty, staff, and students. The UCSB daily rate for parking, currently at $5, is projected to increase to $7 beginning in fall 2002-03. Campus parking permit rates are expected to generate sufficient funds to cover operating, maintenance, and debt service expenses.

FY 2002-03 permit rates are not projected to increase for the next five years; however, the construction of a third campus parking structure currently under consideration may increase rates beginning in FY 2005-06.

Of the $3.5 million pledge from parking reserves, $1 million was previously approved and transferred for the project to cover the costs of planning and development. In accordance with Regental policy, the remaining $2.5 million will be transferred to the project prior to bid award.

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

9. **AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND AMENDMENT OF EXTERNAL FINANCING FOR INFILL APARTMENTS, SANTA CRUZ CAMPUS**

The President recommended that:

A. With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommend that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to reflect the following changes:

From: Santa Cruz: A. Infill Apartments – preliminary plans, working drawings, construction, and equipment – $56,162,000 to be funded from external financing ($54,062,000) and campus University of California Housing System Net Revenue Fund ($2,100,000).

To: Santa Cruz: A. Infill Apartments – preliminary plans, working drawings, construction, and equipment – $66,294,000 to be funded from external financing ($64,194,000) and the University of California Housing System Net Revenue Fund ($2,100,000).

B. The Committee on Finance concur with the recommendation.

C. The Committee on Finance recommend that the financing actions approved by The Regents in March 2001 with respect to the Infill Apartments project, Santa Cruz campus, be amended as shown, with the understanding that all other financing actions by The Regents regarding said project remain unchanged:

(1) The President be authorized to obtain financing not to exceed $64,194,000 to finance the Infill Apartments 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. As long as the debt is outstanding, University of California Housing System fees for the Santa Cruz campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and to meet related requirements on this proposed financing; and

c. 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 The Regents previously had approved the preliminary plans, the design, and an amendment to the Budget for Capital Improvements and the Capital Improvement Program, at a cost of $56,162,000, for 141 apartment units for 640 students at Cowell, Stevenson, and Porter Colleges.

As the result of sporadic subcontractor coverage and large bid contingencies, initial bids for the project were $9.6 million over the construction budget. Subcontractor interest in projects at Santa Cruz is suppressed by the lengthy commute from San Jose and the lack of parking and of room for delivery and staging. Uncertainties associated with utility relocation work and potential sink holes also caused contractors to bid high. The campus rejected all bids. The Construction Manager/General Contractor (CM/GC) project delivery method was then adopted to achieve cost reduction without compromise to program needs or design quality. The CM/GC firm refined the construction phasing and scheduling, reviewed the construction documents, prequalified subcontractors, and performed value engineering. Value engineering resulted in an increase of 12 beds, along with numerous cost-saving changes to the project.

Revised Project Description

The space will be configured as single, double, and triple bedroom apartments with living and dining areas and kitchens, in 13 buildings on three sites with a maximum height of four stories. Construction start is anticipated in October 2002, with project completion in summer 2004.

CEQA Classification

The Environmental Impact Report was certified and project design was approved at the July 2001 meeting of The Regents.

Financial Feasibility

The budget augmentation of $10,132,000 will be funded from external financing. The revised total project cost of $66,294,000 will be funded from a combination of external financing ($64,194,000) and UCHS Net Revenue funds ($2,100,000). Assuming debt of $64,194,000 amortized over 30 years at 6.125 percent interest, the average annual debt service is estimated at $4,726,000. The external financing will be repaid from UCHS net revenues generated by campus housing fees.

In fiscal year 2004-05, total campus UCHS revenues will be $60,392,000, and after total operating expenses of $36,251,000, net revenues available for debt service will be $24,141,000, an amount sufficient for the debt service requirements of the project and the proposed augmentation.

As approved by The Regents in March 2001, the project was expected to result in an annual increase to single-student room rates for all-on campus housing of $321 per year, effective in fiscal year 2003-04. The augmentation will necessitate an additional increase of $61 annually, for a total increase of $382.

Rate increases for the next two years were anticipated to be 8 percent annually, but based on savings realized by favorable interest rates from bond sales for College 9 and 10 Residence Halls, Crown College Dining, and Modular Housing financed last fiscal year, the campus was able to hold rate increases to 6 percent, making the projected room rates for singles and doubles only slightly above market.

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 11:24 a.m.

Attest:

Secretary