

The Regents of the University of California

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

September 16, 2010

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

Members present: Representing the Committee on Grounds and Buildings: Regents DeFreece, Hime, Johnson, Makarechian, Ruiz, Schilling, and Zettel; Ex officio members Gould and Yudof; Advisory member Anderson
Representing the Committee on Finance: Regents Blum, Cheng, DeFreece, Island, Lozano, Makarechian, Schilling, and Varner; Ex officio members Gould and Yudof; Advisory member Simmons; Staff Advisor Herbert

In attendance: Regents De La Peña, Kieffer, Maldonado, Marcus, O'Connell, Pattiz, and Reiss, Regent-designate Pelliccioni, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Provost Pitts, Executive Vice Presidents Brostrom and Taylor, Senior Vice President Stobo, Vice Presidents Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Kang, Katehi, White, and Yang, and Recording Secretary McCarthy

The meeting convened at 11:35 a.m. with Committee on Grounds and Buildings Chair Schilling presiding.

AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL, INTERIM AND STANDBY FINANCING, MEDICAL CENTER MISSION BAY CLINICAL FACILITIES, SAN FRANCISCO CAMPUS

The President recommended that the Committee on Grounds and Buildings recommend that:

1. The 2010-11 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Francisco: UCSF Medical Center Mission Bay Clinical Facilities – preliminary plans, working drawings, construction and equipment – \$1,686,000,000 to be funded from external financing (\$700,000,000), gifts (\$600,000,000), State funds (\$200,000,000), hospital reserves (\$81,000,000), State Children's Hospital Bonds (\$69,000,000) and interest income (\$36,000,000).

To: San Francisco: UCSF Medical Center Mission Bay Clinical Facilities – preliminary

plans, working drawings, construction and equipment – \$1,520,000,000 to be funded from external financing (\$700,000,000), gifts (\$600,000,000), hospital reserves (\$126,000,000), State Children’s Hospital Bonds (\$69,000,000) and interest income (\$25,000,000).

2. The scope of the UCSF Medical Center Mission Bay Clinical Facilities includes construction of approximately 878,000 gross square feet, which is anticipated to accommodate a 289-bed inpatient building for Children’s, Women’s and Cancer hospitals, an outpatient building with helipad, an energy center, and site improvements including 442 surface parking spaces and site infrastructure.

3. The President be authorized to obtain external financing not to exceed \$700,000,000 to finance the UCSF Medical Center Mission Bay Clinical Facilities project. The San Francisco campus and UCSF Medical Center shall satisfy the following requirements:
 - A. Interest only, based on the amount financed, shall be paid on the outstanding balance during the construction period.

 - B. Repayment of the debt shall be from the UCSF Medical Center gross revenues and as long as the debt is outstanding, the UCSF Medical Center gross revenues shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

 - C. Forecasted hospital operating cash flow in the second year after project completion (anticipated to be fiscal year 2017) shall be sufficient to cover the forecasted annual debt service for all forecasted outstanding indebtedness of the Medical Center at a level of three times (3x).

 - D. The general credit of the Regents shall not be pledged.

4. The President be authorized to obtain interim financing not to exceed \$278,000,000 and stand-by financing not to exceed \$230,000,000 for a total of \$508,000,000 to fund potential future pledges or pledges not collected. The San Francisco campus and UCSF Medical Center shall satisfy the following requirements:
 - A. Interest only, based on the amount financed, shall be paid on the outstanding balance during the construction period.

 - B. Financing documentation shall require that the repayment of any standby financing be primarily from gift receipts. Documented pledges will be the primary repayment source except for ten percent of the standby financing, which will have an additional repayment source of hospital reserves. Pledges and hospital reserves shall be maintained at a level sufficient to pay the necessary debt service and to meet the requirements of the authorized standby financing.

 - C. Repayment of the interim financing shall be primarily from gift receipts. In the

event that the collection of gifts is insufficient, the Medical Center will use hospital reserves to pay the necessary debt service. Forecasted hospital operating cash flow in the second year after project completion (anticipated to be fiscal year 2017) is sufficient to cover the forecasted annual debt service for all forecasted outstanding indebtedness of the Medical Center, including any forecasted interim financing amount, at a level of two times (2x).

- D. The general credit of the Regents shall not be pledged.
5. The President, subject to the concurrence of the Chair of the Committee on Grounds and Buildings, be authorized to obtain additional external financing, not to exceed \$150,000,000, to convert interim financing to long-term financing for the UCSF Medical Center Mission Bay Clinical Facilities project. The San Francisco campus and UCSF Medical Center shall satisfy the following requirements:
- A. Total project budget shall not exceed \$1,520,000,000.
 - B. The campus' request for Presidential approval of such additional external financing shall include a briefing to the President on the status of the fundraising campaign.
 - C. The request for borrowing shall occur no later than one year following the opening of the UCSF Medical Center Mission Bay Clinical Facilities.
 - D. Repayment of the debt shall be from the UCSF Medical Center gross revenues and as long as the debt is outstanding, the UCSF Medical Center gross revenues shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
 - E. Forecasted hospital operating cash flow in the second year after project completion (anticipated to be fiscal year 2017) shall be sufficient to cover the forecasted annual debt service for all forecasted outstanding indebtedness of the Medical Center at a level of three times (3x).
 - F. The general credit of the Regents shall not be pledged.
6. The President be authorized to execute all documents necessary in connection with the above.

[Background material was mailed to the Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee on Grounds and Buildings Chair Schilling stated that, in the interest of time, she would dispense with the presentation. She noted that Committee members had reviewed the materials provided and asked Regent Makarechian for his comments regarding his meeting with members of the UCSF team.

Regent Makarechian commented that he visited the site of the Medical Center at Mission Bay and met with the extremely capable project team. He stated that the latest technologies are being used in the Center's design. Regent Makarechian noted his belief that the use of these technologies would help avoid problems such as earlier ones with the UCLA hospital project.

Committee on Finance Chair Lozano commented that, based on prior briefings, this project would be completed under the earlier budget. She noted new financing mechanisms that would be beneficial to the University and reported great progress on private fundraising for the project. She confirmed that this recommendation is consistent and in line with recommendations from the Committee on Finance.

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.

The meeting adjourned at 11:40 a.m.

Attest:

Secretary and Chief of Staff