The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE
March 17, 2021

The Finance and Capital Strategies Committee met on the above date by teleconference meeting conducted in accordance with Paragraph 3 of Governor Newsom's Executive Order N-29-20.

Members present: Regents Cohen, Estolano, Kounalakis, Leib, Makarechian, Muwwakkil, Park, Reilly, and Sherman; Ex officio members Drake and Pérez; Advisory members Gauvain and Lott; Chancellors Christ, Gillman, Hawgood, Muñoz, and Wilcox; Staff Advisor Jeffrey

In attendance: Regent Stegura, Regent-designate Torres, Faculty Representative Horwitz, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Chancellor Larive, and Recording Secretary Johns

The meeting convened at 4:15 p.m. with Committee Chair Makarechian presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes the meeting of January 20, 2021 were approved, Regents Cohen, Estolano, Kounalakis, Leib, Makarechian, Park, Pérez, Reilly, and Sherman voting "aye."[1]

2. **CONSENT AGENDA: PRELIMINARY PLANS FUNDING AND EXTERNAL FINANCING, CHEMISTRY BUILDING SEISMIC IMPROVEMENTS, SANTA BARBARA CAMPUS**

The President of the University recommended that:

A. The 2020-21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Santa Barbara: Chemistry Building Seismic Improvements – preliminary plans – $4 million to be funded from external financing supported by State General Fund appropriations ($4 million).

B. The President shall be authorized to obtain eternal financing not to exceed $4 million plus related interest expense and additional related financing costs to finance the preliminary plans for the Chemistry Building Seismic Improvements. The President shall require that:

[1] Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code §11123(b)(1)(D)] for all meetings held by teleconference.

(1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the planning period.

(2) The primary source of repayment shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.

(3) The general credit of the Regents shall not be pledged.

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

Committee Chair Makarechian briefly introduced this consent agenda item.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Estolano, Kounalakis, Leib, Makarechian, Muwwakkil, Park, Pérez, Reilly, and Sherman voting "aye."

3. **BUDGET, SCOPE, EXTERNAL FINANCING, AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, SCHOOL OF MEDICINE EDUCATION BUILDING II, RIVERSIDE CAMPUS**

The President of the University recommended that:

A. The 2020-21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Riverside: School of Medicine Education Building II – preliminary plans – $6.4 million to be funded from external financing supported by State General Fund appropriations.

To: Riverside: School of Medicine Education Building II – preliminary plans, working drawings, construction, and equipment – $100 million to be funded from external financing supported by State General Fund appropriations.

B. The scope of the School of Medicine Education Building II shall provide an approximately 90,000-gross-square-foot new instructional facility for medical education, including furniture and equipment, and all associated site work and utilities.

C. The President shall be authorized to obtain external financing in an amount not to exceed $100 million plus related interest expense and additional related financing costs to finance the School of Medicine Education II. The President shall require that:

(1) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

(2) The primary source of repayment shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.

(3) The general credit of the Regents shall not be pledged.

D. Following review and consideration of the environmental consequences of the proposed School of Medicine Education Building II project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

(1) Adopt the Initial Study and Mitigated Negative Declaration for the School of Medicine Education Building II project.

(2) Adopt the Mitigation Monitoring and Reporting Program for the School of Medicine Education Building II project and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of UC Riverside.

(3) Adopt the CEQA Findings for the School of Medicine Education Building II.

(4) Approve the design of the School of Medicine Education Building II, Riverside campus.

E. The President be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

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

UC Riverside School of Medicine Dean Deborah Deas presented the rationale for the School of Medicine Education Building II project. Lack of sufficient space had been an issue for the UCR School of Medicine for quite some time. The School lacked adequate space for its students, faculty, or staff and had exhausted all available options in terms of existing space. In order to meet accreditation requirements, the School added portable trailers in 2017 to serve as student study spaces. The School had expanded into the basement of the Orbach Library to provide adequate simulation and clinical skills space. There were five faculty offices for the clinical department chairs, located six miles away from campus at the UCPath building. There was shared office space for clinical faculty, with a ratio of one shared office to more than 40 clinical faculty members. This project was a much-needed investment in the growth of the School. It would allow the School to provide adequate space for its current students, meet accreditation needs, and provide space to double its current enrollment to a total of 500 students, and possibly more in the future.

Vice Chancellor Gerry Bomotti recalled that this project had been funded by the State with $100 million in the 2019 legislative session. The Regents had approved preliminary plans funding for the project in January 2020. The campus then quickly developed the design parameters, moved to the design build competition, and selected Hensel Phelps Construction and CO Architects. This team had provided a firm commitment on price and a commitment to Leadership in Energy and Environmental Design (LEED) platinum, which would include a photovoltaic array on the roof; the campus estimated that this feature would save $40,000 annually on electrical costs. If the Regents approved the project, site work would commence this spring and UCR anticipated that the building would be open in fall 2023.

Regent Cohen noted that he had visited the campus and toured the current facilities. He stated that this project was long overdue.

Regent Estolano asked if Hensel Phelps had made any commitment about subcontracting with Disadvantaged Business Enterprises or Small Business Enterprises in order to provide work in the local community for smaller contractors. Assistant Vice Chancellor and Campus Architect Jacqueline Norman responded that Hensel Phelps would have selected some of its subcontractors at this point, but not all. There would be time in the coming months for UCR to discuss this with Hensel Phelps. Regent Estolano emphasized the importance of this matter. UCR was a significant economic engine for the Inland Empire and can serve as a critical force in helping to elevate smaller contractors. The University should be trying to do this as much as possible, given its giant building and construction budget.

Regent-designate Lott praised the commitment to LEED platinum and also wished to see a similar commitment to providing opportunities for small businesses in this project.

Upon motion duly made and seconded, the Committee approved the President’s recommendation and voted to present it to the Board, Regents Cohen, Estolano, Kounalakis, Leib, Makarechian, Muwwakkil, Park, Pérez, Reilly, and Sherman voting “aye.”

4. **SET ASIDE APPROVAL OF DESIGN, STUDENT HOUSING WEST PROJECT, SANTA CRUZ CAMPUS**

Consistent with the judgment entered by the Santa Cruz County Superior Court on October 30, 2020, the General Counsel recommended that the Regents:

A. Set aside the March 14, 2019 adoption of the California Environmental Quality Act Findings and Statement of Overriding Considerations approving the Student Housing West Project, Santa Cruz campus, as made final on March 27, 2019.

B. Set aside the March 14, 2019 adoption of the Mitigation Monitoring and Reporting Program for the Student Housing West Project, as made final on March 27, 2019.

C. Set aside the March 14, 2019 approval of the design of the Student Housing West Project, as made final on March 27, 2019.

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

Upon motion duly made and seconded, the Committee approved the General Counsel's recommendation and voted to present it to the Board, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Makarechian, Muwwakkil, Park, Pérez, Reilly, and Sherman voting "aye."

5. **BUDGET, SCOPE, EXTERNAL FINANCING, AMENDMENT #9 TO THE UCSF 2014 LONG RANGE DEVELOPMENT PLAN AND DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, MISSION BAY EAST CAMPUS PHASE 2 CLINICAL BUILDING AND MISSION BAY EAST CAMPUS PHASE 2 PARKING GARAGE, SAN FRANCISCO CAMPUS**

The President of the University recommended that:

A. The 2020-21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

(1) From: San Francisco: Mission Bay East Campus Phase 2 Clinical Building – preliminary plans – $23 million to be funded from hospital reserves.

To: San Francisco: Mission Bay East Campus Phase 2 Clinical Building – preliminary plans, working drawings, construction, and equipment – $335,843,000 to be funded from external financing.

(2) From: San Francisco: Mission Bay East Campus Phase 2 Parking Garage – preliminary plans and working drawings – $4.5 million to be funded from auxiliary reserves.

To: San Francisco: Mission Bay East Campus Phase 2 Parking Garage – preliminary plans, working drawings, construction, and equipment – $65.98 million to be funded from external financing.

B. The Regents approve the scope of the:

(1) Mission Bay East Campus Phase 2 Clinical Building to construct a new clinical building of approximately 182,800 gross square feet (GSF) to consist of an ambulatory surgery center (48,200 GSF), adult primary and secondary multi-specialty clinics (61,400 GSF), pharmacy (4,800 GSF), building support (28,400 GSF), and shelled space (40,000 GSF) for future buildout of additional specialty clinics to accommodate growth.

(2) Mission Bay East Campus Phase 2 Parking Garage to provide a new parking garage of up to 500 spaces and approximately 4,100 gross square feet (GSF) to consist of office and administrative space for UCSF Transportation Services staff (3,400 GSF) and building support (700 GSF).

C. The President be authorized to obtain external financing:

(1) For the Mission Bay East Campus Phase 2 Clinical Building, external financing from the Medical Center Pooled Revenue Bond 2020 Series N bonds in an amount not to exceed $335,843,000 plus additional related financing costs. The President shall require that:

a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

b. As long as the debt is outstanding, general revenues from UCSF Health shall be maintained in an amount sufficient to pay the debt service and to meet the related requirements of the authorized financing.

c. The general credit of the Regents shall not be pledged.

(2) For the Mission Bay East Campus Phase 2 Parking Garage, external financing in an amount not to exceed $65.98 million plus additional related financing costs. The President shall require that:

a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

b. As long as the debt is outstanding, general revenues from the San Francisco campus shall be maintained in an amount sufficient to pay the debt service and to meet the related requirements of the authorized financing.

c. The general credit of the Regents shall not be pledged.

D. Following review and consideration of the environmental consequences of the proposed Mission Bay East Campus Phase 2 Clinical Building and Parking Garage projects, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

(1) Adopt the CEQA Findings for the Mission Bay East Campus Phase 2 Clinical Building and Parking Garage projects, having considered both the UC San Francisco 2014 Long Range Development Plan (LRDP) Final Environmental Impact Report (FEIR) and Addendum #5 to the UC San Francisco 2014 LRDP FEIR.

(2) Approve Amendment #9 to the UC San Francisco 2014 Long Range Development Plan.

(3) Approve the design of the Mission Bay East Campus Phase 2 Clinical Building project.

(4) Approve the design of the Mission Bay East Campus Phase 2 Parking Garage project, San Francisco campus.

E. The President, in consultation with the General Counsel, be authorized to execute all documents necessary in connection with the above.

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

Chancellor Hawgood recalled that the Regents had approved preliminary plans funding for this project in May 2020. He identified the project site, which was located on a prominent corner of the Mission Bay development. The local planning agency referred to this site as the southern gateway to Mission Bay. On this site, UCSF proposed to build a clinical building that would house an ambulatory surgical facility and clinics for adult subspecialty medicine, as well as a 500-stall parking garage. UCSF had chosen to do this because its clinical growth had been outstanding over the last several years, between seven and 12 percent in both ambulatory surgical volume and adult clinical volume. This project was needed to accommodate this growth. UCSF would add 500 above-ground parking spaces on this site because most patients who accessed UCSF's clinical facilities came by car. In the most recent survey, about 61 percent of patients indicated that they came to the Mission Bay and Parnassus campuses by car. This was in marked contrast to UCSF employees, about 26 percent of whom came to work by car. The parking garage would be critical for patients coming to the clinical building as well as to the nearby new mental health building, which would be opening in early 2022.

Chancellor Hawgood noted that the cost of the parking garage on this site was higher than that of other UC parking facilities, including other parking facilities at UCSF. There were several unique factors of the project location that contributed to the cost. The soil characteristics on the site were poor and prone to liquefaction. This necessitated a ground improvement system with deep soil mixing in addition to deep foundation piles required for the building itself. The site contained hazardous Class 1 soil, requiring a careful removal and disposal process. This was a prominent entry site into the Mission Bay campus, which, in UCSF's view, would require a premium exterior design cladding on all four façades of the parking garage as well as enhanced lighting and landscaping, so that people know they are entering a campus ecosystem. The impact of these factors and others itemized in the background materials provided was a higher than standard cost per gross square foot. The building cost for the garage was $248 per gross square foot. The unique factors on the site accounted for about $96 per gross square foot, or 39 percent of the total cost. Without these factors, the cost would be about $152 per gross square foot, comparable to other parking projects built at UCSF in recent years. Breaking down these cost factors in more detail, Chancellor Hawgood stated that scope differences accounted for about $7.6 million in cost and current code requirements for about $1.9 million. San Francisco planning jurisdiction through the Office of Community Investment and Infrastructure would add about $6.4 million to the cost, and the constrained site and parking costs add about $1.6 million.

The parking garage project was critical to support UCSF patients and visitors. Although the parking garage as a stand-alone project would not cover the debt service until year 14 after occupancy, UCSF's parking garages and lots collectively would exceed the required ratio by the second year of the garage's operation. Chancellor Hawgood drew attention to another factor affecting the financials of UCSF's transportation services. The City of San Francisco had imposed a 25 percent City parking tax in mid-2020. This tax was levied on all those who park on campus. UCSF was required to collect this 25 percent tax and give it to the City. This had made it more difficult for UCSF to increase its parking and maintain reasonable parking costs for patients and visitors. The total project, including the clinical facility and the pharmacy planned in the clinical building, would generate a positive cash flow of $11.6 million by fiscal year 2026, increasing to a positive cash flow of $60 million by fiscal year 2034. There would be a return on investment within ten years for the overall project.

Regent Leib noted that the appropriate size for some parking lot projects had been reevaluated, given increased rates of ride sharing. He asked if UCSF had included this in its analysis. He supposed that the number of patients driving to UCSF would have decreased in the last few years. Chancellor Hawgood responded that UCSF had and was studying this intensively. Parking on the Mission Bay campus was under intense pressure. Clinical parking lots were over 100 percent occupied, and UCSF has had to add valet parking in order to double park, essentially. UCSF had no additional parking other than 40 slots for the mental health building. UCSF would be opening the Weill Neurosciences

Building in a few months without adding any parking. UCSF was currently using two lots on the northern end of the Mission Bay campus for surface parking, and would lose those lots in the next few years; one would be lost to the City for the construction of a school on Block 14, and the other lot would also be lost as UCSF continued to add construction. Senior Associate Vice Chancellor Clare Shinnerl added that the campus was trying to determine the effect of the COVID-19 pandemic on transportation. UCSF knew that, before the pandemic, it would not have had a sufficient parking supply. The pandemic would provide some relief in this regard, but UCSF expected all of its garages to be well over 95 percent full during peak days, even with use of telehealth and telecommuting. Chancellor Hawgood commented that the actual projection for parking need when this building opened was for 950 spaces, and UCSF would build 500. These spaces would be prioritized for patients and visitors. UCSF had not included in its calculations the implications of the fact that the parking garage would be near the Chase Center. Once the garage had opened and the campus had experience of patient use after hours, it was likely that the Chase Center would be interested in using this facility.

Regent Estolano commented on the high cost per space of the parking garage project. As stated in the background materials, the adjusted building cost per space was $91,116, and the adjusted total project cost per space was $131,960. Senior Associate Vice Chancellor Brian Newman explained that this was the difference between total project cost and direct construction. In its benchmarking for this project, the Office of the President compared direct construction costs. Cost factors such as soil, façade, and the firewall between this building and the clinical building added about $17.5 million. He acknowledged that the cost was high. UCSF had communicated with developer neighbors and learned that direct construction costs for parking garages in this area were approximately $100,000 per stall.

Regent Estolano asked about the additional cost per space due to the local conditions and factors—contamination, liquefaction, and the firewall. Mr. Newman responded that the direct construction cost for this garage was about $91,000 per stall. If one subtracted the additional cost drivers mentioned, the cost per stall was about $56,000; this cost was in the range of the two other garages UCSF had built in the last ten years.

Regent Estolano remarked that it was helpful to demonstrate that neighboring developers were paying similar rates; otherwise, this high cost did not seem justifiable. She commended the sustainability features and the plan for both buildings to be all-electric, with no natural gas used. It was good to demonstrate that it was possible to achieve this with a medical facility. She asked if UCSF had goals for engaging Disadvantaged Business Enterprises or Small Business Enterprises in the construction project. Chancellor Hawgood responded that UCSF had such commitments. The project architect was Stantec, and the general contractor was Clark Construction. Mr. Newman reported that, on April 29, UCSF would host a diverse vendor outreach event for its entire capital program. UCSF took this matter seriously and had had conversations about this with Clark Construction.

Regent Estolano commented that it was good to send this message early on in the process.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Cohen, Drake, Estolano, Kounalakis, Leib, Makarechian, Muwwakkil, Park, Pérez, Reilly, and Sherman voting "aye."

6. **APPROVAL OF DESIGN FOLLOWING ACTION PURSUANT TO THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, STUDENT HOUSING WEST PROJECT, SANTA CRUZ CAMPUS**

Following review and consideration of the environmental impacts of the proposed Student Housing West project, as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the President of the University recommended that the Finance and Capital Strategies Committee recommend that the Regents:

A. Adopt the CEQA Findings and Statement of Overriding Considerations for the Student Housing West project.

B. Adopt the Mitigation Monitoring and Reporting Program for the Student Housing West project, and make a condition of approval the implementation of mitigation measures within the responsibility and jurisdiction of the Santa Cruz campus.

C. Approve the design of the Student Housing West project, Santa Cruz campus.

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

Regent Pérez noted that the Regents had received a copious amount of background material on this item the previous day, more material than could be easily reviewed in a short time. Committee Chair Makarechian stated that this item had been presented two years prior; the essential elements of this project were unchanged.

Chief of Staff and Special Counsel Kelly Drumm noted that there were two action items before the Regents at this meeting concerning this project. The first was to rescind limited aspects of the Regents' March 2019 project approval; this was the above action, *Set Aside Approval of Design, Student Housing West Project, Santa Cruz Campus*. The second was this item, which was to re-approve the rescinded aspects of the project in order to enable the project to move forward. When the project was first approved in March 2019, litigation ensued, alleging noncompliance with the California Environmental Quality Act (CEQA). The trial court upheld the University's Environmental Impact Report (EIR) and its analysis of environmental impacts, but concluded that financial information supporting the rejection of alternatives to the project had not been before the Board when it approved the CEQA findings and mitigation plan. Accordingly, the Regents' approval of *Set Aside Approval of*

Design, Student Housing West Project, Santa Cruz Campus effectuated compliance with the trial court's order and rescinded the March 2019 approval of project design, the supporting CEQA findings, a Statement of Overriding Considerations rejecting project alternatives, and the mitigation report. The project design in this current item was unchanged from the design in the item approved by the Regents in March 2019. Recertification of the EIR was not required because the court concluded that its analysis of environmental impacts complied with CEQA. In accordance with the court's order, the Regents had been provided with financial and economic information about the feasibility of the alternatives to the project. The project's business terms, authorized by the Board in March 2019, were not affected by the trial court's decision and were therefore not now before the Regents for reconsideration or approval.

Chancellor Larive recalled that, when she arrived as Chancellor at UC Santa Cruz in July 2019, she worked to understand the most pressing challenges and opportunities at UCSC. She also wanted to learn of the aspirations and concerns of UCSC stakeholders, and why the campus has been transformational for so many of its students. From the start, it was evident that student housing was one of the most urgent needs of the campus, and it was important for her to understand whether this project, Student Housing West, as it had been proposed, was the best approach to meet this need. She strongly believed that this was the case and urged the Regents to approve the project. She was not Chancellor when the project was first proposed, and this gave her objectivity and the ability to look at the project with fresh eyes. UCSC had a 2,000-acre campus. Chancellor Larive wondered if an easier project was possible, or an alternative that could meet the project objectives while satisfying the concerns of some UCSC stakeholders. She listened to and asked questions of dozens of project supporters and critics. After a year and a half as Chancellor, she came to the same conclusion as her predecessor. The UCSC campus was extremely challenging to build on. Student Housing West, as approved by the Regents in March 2019, was the best path forward to provide desperately needed housing for students, minimize environmental impact, meet project objectives, and deliver beds at the lowest possible cost. The cost was important because housing fees were distributed across the campus. The cost of a more expensive project would not be borne by the campus, but by students as higher housing fees. The housing crisis in the region was not going away and had only become more acute since March 2019.

In August 2020, the CZU Lightning Complex fires destroyed nearly 1,000 homes in Santa Cruz County. UCSC faculty, staff, and students were among those who lost nearly everything they owned in the fires. Silicon Valley employees were now buying homes in Santa Cruz County, deciding that working from home here was preferable to settling down in the Santa Clara Valley, and this exacerbated the situation. UCSC students and their families had been affected by COVID-19, and many students would return to campus in a financial position that was even more difficult. The Student Housing West project was desperately needed. It was important to note that this project was focused on serving UCSC students at current enrollment levels; it was not focused on growth, as some critics had said. For Chancellor Larive, the essential reason for the project was to serve students and promote UC values of educational opportunity and access. A UC education is transformational, and studies had shown time and time again that for students to be successful, their basic needs must be met. It was essential to have a safe and affordable place to live, and this was the most powerful argument in favor of this project. Student Housing West had a certified and court-tested EIR, which was no small matter. Having to begin anew would set the campus back by years. The longer the campus waited, the longer students would have to wait for access to housing, and the more unattainable the project would become, due to cost and other factors. This would ultimately mean fewer spaces, and this would harm students. The project had stirred emotions in the campus community. Some of the strongest campus supporters had opposed the project. Chancellor Larive welcomed, valued, and considered their opinions, but still believed that proceeding with the project was the right decision.

This project was not about growth, but intended to serve current campus enrollment. In addition to the need for more on-campus housing for undergraduate and graduate students, the existing family student housing complex and the student-serving childcare facility were well past their useful lifetime and urgently needed replacement. One of the most vulnerable student communities was students with families, especially those with children. The current occupants of UCSC family student housing were approximately an equal mix of undergraduate and graduate students; they were more financially needy than the general student population. It was also important that this project would add a childcare center serving not only students, but also faculty and staff. UCSC was currently the only UC campus that did not provide on-site child care to employees. Access to child care was critical in the recruitment and retention of faculty and staff.

Student Housing West would deliver approximately 3,000 beds on two sites. The Hagar site was where family student housing and the new childcare center would be built. The Heller site, where UCSC's family student housing and childcare facilities were currently located, would be the location of the new undergraduate and graduate student housing. Due to its size and complexity, the project would be phased. The Hagar site must be developed first, so that UCSC could move the existing Heller site residents, the current location of family student housing and the childcare center, to their new home with minimal displacement or impact, and vacate that site for the new undergraduate and graduate student housing. The Heller site was well suited for higher-density student housing. UCSC would take a site that currently housed students with families and convert it into a new community, which would house and provide numerous amenities to approximately 2,900 students. This was efficient use of a property close to UCSC's residential colleges. The Hagar site was not well suited for higher-density development. Aside from the concerns about viewshed, the site's poor soil condition limited development to lighter-weight buildings. The Hagar development would be compatible with adjacent uses. This area was in the residential neighborhood portion of the campus, and the Hagar development would fit perfectly in this setting, both in uses and in the scale and form of physical improvements. There were four existing employee housing developments within walking distance of the new childcare center, to be located at the corner of Hagar Drive and Coolidge Drive. The childcare center would also be convenient for faculty and staff living off campus, as it would not be far from the main campus entrance. The family student housing would be within walking distance of the local elementary school, an advantage from the standpoint of traffic and student safety.

UCSC had exhaustively considered alternative sites for the Hagar portion of the project. The campus engaged an independent cost estimator to review and revise assumptions on the schedule and cost of these alternatives. The alternatives analyzed in the EIR were estimated to be at least 14 percent more expensive and would require student families to be relocated to off-campus housing during construction, at a time when the housing situation in Santa Cruz was even more acute than two years prior, when the Regents first considered this item. Student Housing West, an integrated project on two sites, would create sorely needed housing for continuing undergraduate students, graduate students, and students with families. It would provide child care for students, faculty, and staff. The project was needed to serve existing students at UC Santa Cruz. It was a wise, thoughtful, and timely project for the campus.

Committee Chair Makarechian recalled earlier criticisms he had of the project when it was first presented. The campus had convinced him and the Committee of the need for this density in the project and of the need for lower density at the Hagar site. He expressed concern that the present item did not include a commitment to maintaining rental rates in this housing at 30 percent below market rates. This project had many proponents and opponents. He recalled an earlier meeting where individuals supporting and opposing the project addressed the Regents. Committee Chair Makarechian stated that he would support the project if it included a commitment to keeping rents at 30 percent below market.

Regent-designate Torres recalled that, even in 1968, finding housing off campus was difficult in Santa Cruz. He had spoken with many UCSC alumni and community members. This was a difficult and emotional issue for many. Nevertheless, Regent-designate Torres had to support the Chancellor's position, given the work she had done on this issue and her consideration of many positions and views. For him, an important issue was accessibility for married students and their children. He expressed support for Committee Chair Makarechian's request that the campus commit to maintaining rental rates at 30 percent below market. This project was overdue and very much needed.

Regent Park recalled that the Regents had spent a great deal of time on this item two years prior. Regent Park had also examined all the financial information for the project. She had supported the project then and supported it now.

Regent Leib recalled that he had supported the project two years prior, although he felt that it was a close call, due to the concerns opponents raised about environmental issues and the East Meadow. He reported that he had received a letter raising questions about the project from State Senator John Laird. Mr. Laird had served as a City Councilman, as Secretary of the California Natural Resources Agency, and in the State Assembly, and he was an intelligent and practical person. Regent Leib stated that he supported most UC building projects, but this one presented difficulty. Many prominent alumni have opposed this project because the East Meadow was a special place on the campus. There would be a cost to damaging the feelings of prominent alumni and long-time supporters of UCSC. The Regents supported the construction of student housing. Regent Leib asked about the importance of the Hagar site in this project and relocation of students. Chancellor Larive expressed her esteem for Mr. Laird, but noted that she would disagree with him on this question. The relocation of student families was one of the considerations in this project. Relocating those families into the community would always have been difficult, but it was especially difficult now, with the escalating housing prices in the area. There would be opposition to building in any location at UC Santa Cruz. Another proposal had envisioned building on Porter Meadow; if the campus pursued this path, there would be an outcry. The first Long Range Development Plan (LRDP) for UC Santa Cruz in 1963 envisioned development across the entirety of the East Meadow, including professional schools and residential colleges. The 1971 LRDP, endorsed by founding Chancellor Dean McHenry, considered the East Meadow, called Inclusion Area B, as a priority site for development. The LRDP suggested that the area could be used for building residential space by private firms who would lease the land from the University. Cost, relocating families, and the project program were important considerations. It made sense to place family student housing and the childcare center near four faculty and staff housing developments. The location was also near the entrance to the campus, so that students or staff with children living off campus could conveniently drop their children off and pick them up at the end of the day, and within walking distance of the local elementary school. There were strong programmatic reasons for having family student housing and childcare on the Hagar site.

Regent Leib reported that one suggestion in Mr. Laird's letter was that the project could be phased. Chancellor Larive responded that there had been such suggestions, with different phases and plans for locating family student housing and childcare on the Heller site. In her view, this was much less desirable from a programmatic standpoint. The suggested alternatives were more costly and would not provide the same programmatic benefits. Executive Vice President and Chief Financial Officer Brostrom commented that this item did not discuss affordability, since the business terms had been approved in March 2019 and did not have to be reconsidered. The Hagar site was a factor in affordability for family student housing. The cost would be about 47 percent lower than housing in the community, at 2020 rates. With the difficult Santa Cruz housing market, the campus might be able to offer students with families, often graduate students, a 50 percent discount compared to housing in the community.

Regent Estolano stated that she understood the need to increase the density of student housing on UC campuses and to mitigate the impact of UC on the surrounding communities. She had supported this item two years prior, but, at this point, she found the arguments against some of the alternatives less convincing. She asked why the project could not be phased and located completely on the Heller site; this would entail developing only part of the Heller site. The background materials suggested that UCSC had to begin by building the Hagar site, then move student families who were in lower-density housing at the Heller site, and then begin demolition at the Heller site. She asked why one could not keep student families in the existing housing and develop only part of the Heller site first. Chancellor Larive responded that the low-density units were spread over a large area. One could not displace half of the student families and then build part of the housing; this was not practical. This alternative, which would have students with families living in apartments where childcare would also be located in a multistory building, was a very different program. It would not be within walking distance of the elementary school or faculty and staff housing. Vice Chancellor Sarah Latham remarked that the project as now conceived was phased. There was a question of why one could not move some of the families from this site elsewhere. To avoid building on the Hagar site, one would be choosing a project alternative. The cost of all the project alternatives was higher. Phasing and length of time of projects contributed to the cost, but some of the alternatives would also require structured parking, or different building layouts and construction types. Even with phasing, the alternative sites ended up being more costly. The alternative mentioned would also result in half of family student housing and a childcare center in the middle of a major construction zone.

Regent Estolano asked to see a graphic or map of the Heller site in order to understand why it was not feasible to demolish only part of the site. While proximity to an elementary school was a very positive reason for using the Hagar site, she did not see having students with families in higher-density housing as a problem. Ms. Latham added that UCSC currently did not have employee childcare; this would provide employee childcare near employee housing. The Heller site was on the other side of the campus.

Regent Kounalakis observed that there were many viewpoints on this project. She underscored that the court had upheld the University's EIR. At about the time of the Regents' approval of this project, there was a wildcat strike on campus by academic student employees. These graduate students were desperate to find a place to live, and housing in the area was not affordable. The project had been delayed, and the increase in the cost of lumber alone over the past two years would increase the cost of the project. Regent Kounalakis expressed support for the action, which would allow the campus to provide desperately needed housing.

Regent Pérez stated that he was not convinced by the arguments in favor of this action.

Regent Leib asked what the impact of a delay until May would be. Mr. Laird, who was the State Senator representing this area, believed that, by bringing the parties together, he might be able to bring about a resolution. Chancellor Larive responded that the project was five years old, and that any further delay would be in conflict with UCSC's ability to address critical student housing needs in a timely manner. She recalled the extensive EIR process that had taken place, including public comment and opined that further delay was not in the best interest of the campus. She was concerned about further legal challenges and did not see a path forward to the agreement envisioned by Mr. Laird. The best outcome for UCSC would be for the Regents to approve the project as it had been approved in March 2019.

Regent Reilly asked if the campus had made a commitment to keeping the rental rates in this housing at 30 percent below market rates. Chancellor Larive responded that, due to changes in the two years that had passed, she was not certain that UCSC could realize this project under the same business terms. Due to litigation, the campus had not been able to engage its contractors. There had been escalation in costs since the project was originally approved. The rates for current student housing at UCSC were well below market rates, and this included student support services, so that this was not directly comparable to the off-campus market. UCSC would work very hard to bring this project in well under market.

Chancellor Larive was reluctant to state an amount of 30 percent, because, under the changed circumstances, she could not state this number for certain.

Committee Chair Makarechian emphasized that the rental rates for students in this housing should be at least 30 percent below market. While lumber prices had risen, the local rental market had also probably risen, and the rents for students should still be 30 percent below market. If the campus could not make a commitment to rental rates 30 percent below the market rates, he would withdraw his support for the project. Mr. Brostrom recalled that the Regents had already approved the business terms; if those terms were to change, the campus would have to present them again for review and approval by the Regents. The item now before the Regents concerned CEQA and design approval only.

Committee Chair Makarechian again adjured the campus to keep rents at 30 percent below market and underscored that UCSC was building on free land.

Regent Estolano observed that the project EIR was satisfactory. The issue for the Regents now was the CEQA Findings. She stressed the desirability of a resolution and avoiding prolonged litigation. The proposed low-rise, two-story construction on the Hagar site looked lovely and would be a beautiful place for children and a childcare center, but was not efficient enough. Given the scarcity of land, it seemed odd to pursue low density for five percent of all the units being built. Regent Estolano wanted to support the project but was not sure this was the right choice from the standpoint of development.

Committee Chair Makarechian recalled that the Regents had approved the plan for low density on the Hagar site due to resistance by opponents to building on the open space of the East Meadow.

In response to Regent Estolano's comment, Chancellor Larive stated that building the entire project on the Heller site was the most expensive of the alternatives. She understood Regent Makarechian's concern and agreed that UCSC must achieve this project with rents significantly below market rates. Thirty percent was a reasonable number, but the campus could not review the business terms again or engage companies for the project until the litigation was over. Rents in Santa Cruz were increasing, and housing prices had risen about 20 percent year over year. Chancellor Larive was confident that UCSC would achieve rents well below market rates, but was not sure she could state that the rates would be 30 percent below market. The campus could not provide data on business terms until it moved forward with an approved project. Delaying this project now, which had already experienced such a long delay, and pursuing alternatives that would be more expensive and not allow for rents at 30 percent below market, would not serve the needs of the University and its students. Mr. Brostrom warned that pursuing an alternative would lead to new delays. Ms. Drumm explained that the campus would have to revise the CEQA Findings in such a case.

Regent Park expressed concern that the Regents would put the campus in an impossible situation if they did not approve this item. The campus needed this re-approval in order to proceed and evaluate the business terms. UCSC had responded to every question, and the matter had been before the Committee for years. There was no other likely resolution.

Regent Pérez stated his understanding that the judge had found no issue with the EIR; the question was whether the Regents had fully evaluated the alternatives. Ms. Drumm confirmed that there was no issue with the EIR. The question was whether the Regents had fully evaluated the financial information relied upon to reject alternatives.

Regent Pérez asked what the University had done between then and now to satisfy that requirement. He expressed frustration with not knowing more detail about the alternatives and why they were more costly. He asked if the campus would be able to achieve rents 30 percent below market. Chancellor Larive responded that the campus would proceed with the business terms that had already been approved. UCSC planned to work hard to meet those business terms. The actual cost of the project would not be known until the project went out to bid.

In response to Regent Pérez's first question, Committee Chair Makarechian recalled that, when the Regents initially approved the project, information on the cost of the alternatives was not available to the Committee. The Committee delegated the task of reviewing these costs to Committee Chair Makarechian, Regent Park, and Regent Cohen.

Regent Pérez expressed consternation regarding the uncertainty about the rental rates to be achieved. Mr. Brostrom responded that, under the current business terms, the project was substantially below market. The costs had increased, and the terms would have to be brought back to the Regents for consideration.

Chancellor Larive stated that, in January 2019, when the project was presented to the Committee as a discussion item, Regents asked the campus to provide external validation of the assumptions of cost differentials for project alternatives. UCSC engaged Peter Morris of AECOM to conduct an independent review, and that information had been provided with the background materials. Chancellor Larive was not the Chancellor when that first review took place, but she did her own due diligence on the Student Housing West project. She asked Mr. Morris to update his assessment to see if anything had changed since the Regents' initial approval of the project; she considered the possibility that one of the alternatives might now be more cost-efficient. Mr. Morris found that all the alternatives to the proposed project remained substantially more expensive. This was an independent analysis. Chancellor Larive stated that she would make a commitment to bring in the project at 30 percent below market. She was confident that UCSC could do this, but did not have the bids yet.

Regent Kounalakis thanked Chancellor Larive for her personal commitment to achieving this.

Chief Campus Counsel Lorena Peñaloza clarified that most of the material that had been sent to the Regents the previous day was letters from members of the public in opposition to or in support of the project. The campus also summarized the numerous issues raised in those letters.

Regent Pérez asked about the Office of the Secretary and Chief of Staff's standard practice for providing Regents the correspondence received from members of the public. Secretary and Chief of Staff Shaw responded that it was the Office's practice to send any agenda-related correspondence received by the day before a meeting to the Regents. Analysis by the campus might not always be sent to the Regents. Associate Vice President Peggy Arrivas noted that members of the public must submit comments by 24 hours before the start of the Regents meeting. The University was considering whether this time limit for receiving comments should be earlier, so that Regents do not receive a great deal of material at the last minute.

President Drake expressed appreciation to Chancellor Larive for her personal commitment to achieving this project at an appropriate cost level.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Drake, Estolano, Kounalakis, Makarechian, Muwwakkil, Park, Reilly, and Sherman voting "aye" and Regents Leib and Pérez voting "no."

7. **PARNASSUS RESEARCH AND ACADEMIC BUILDING, SAN FRANCISCO CAMPUS**

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

Chancellor Hawgood explained that the proposed Parnassus Research and Academic Building was one of the initial phase projects identified in the Comprehensive Parnassus Heights Plan. The campus would request preliminary plans funding at a future meeting. The new building would be constructed on the site of UC Hall, which was built in 1917 and had a Seismic Performance Level of V. In order to meet UC policy standards, UC Hall would require significant seismic safety improvements. The interior spaces of the building would have to be completely gutted and rebuilt, and there would have to be replacement of mechanical and electrical systems as well as exterior improvements. The existing façade of UC Hall was in a fragile state. In 2015, scaffolding was installed on the Parnassus Avenue side of the building to protect pedestrians from falling debris. The façade would require a substantial renovation of the current deteriorated elements and replacement of those elements not able to be restored. The building would require extensive shoring and installation of a structural skeleton, which could further damage the façade.

While some research programs at the Parnassus campus function in space that is new or recently renovated, others take place in space requiring renovation and modernization, or space that is poorly configured, and this was the case in UC Hall. The laboratories had inadequate storage and equipment areas. The lack of adequate, well-configured space has had a tangible negative impact on the morale of many UCSF faculty, particularly those engaged primarily in research on the Parnassus campus. This affected the ability of UCSF programs to attract and retain faculty, students, and trainees. The proposed project would provide new space for existing research programs, allowing UCSF to move these programs out of older existing buildings and to renovate those spaces for research, education, and support functions. By demolishing UC Hall and replacing it with a new Research and Academic Building, space would be provided to help decompress, vacate, and renovate critical existing structures and substandard spaces in other areas of the campus. The same strategy applied to the education spaces on the Parnassus campus as well. This project would allow UCSF to advance its seismic improvement program to comply with UC policy by demolishing UC Hall and providing replacement space for the School of Nursing building, which had a Seismic Performance Level of VI. The project would allow UCSF to address significant deferred maintenance issues and obsolete research and education spaces.

Committee Chair Makarechian asked about the source of funding for this project. Chancellor Hawgood responded that the source would be philanthropy, campus debt, and a small amount of campus equity. The philanthropy target for the building was $315 million, and UCSF had a binding pledge for $200 million.

8. **RISK SERVICES UPDATE: INSURANCE COVERAGE CHANGES AND THE USE OF THE UNIVERSITY'S CAPTIVE INSURANCE COMPANY, FIAT LUX, AND COMMERCIALLY PURCHASED POLICIES**

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

Executive Vice President and Chief Financial Officer Brostrom began the discussion by noting that there had been substantial changes in insurance that were important for the Regents to understand. The University provided over 50 lines of insurance coverage, and this represented about $700 million in annual premium. In Fiat Lux, UC's captive insurance company, UC had over $2 billion of assets. The largest insurance lines were workers' compensation, general, automobile, and employment liability, and professional liability or medical malpractice, which accounted for about 60 percent or $400 million in annual premium. Property insurance accounted for another $60 million. Historically, these insurance lines had been self-funded, particularly in the most costly, primary level of insurance. In 2012, the Regents established a captive insurance company, Fiat Lux, which was a 501(c)(3) not-for-profit organization domiciled and regulated in Washington, D.C. The University began slowly with Fiat Lux, insuring only UC's self-insured retention, equivalent to insuring deductibles. In 2016, the University carried out a broad portfolio transfer and brought in existing, legacy liabilities. This allowed UC to move more aggressively in providing reinsurance and new forms of insurance for the University.

Fiat Lux had been beneficial to UC, enabling UC to purchase insurance and reinsurance on a wholesale rather than a retail basis and giving UC access to markets that it would not otherwise have. Fiat Lux provided additional limits and could replace coverage. Most important, Fiat Lux allowed UC to view insurance on a portfolio basis; previously, the lines of insurance had been isolated and UC could not smooth premiums and allow strong performance in one area to offset weaker performance in another area. The University was able to close out its workers' compensation legacy insurance, which had been separate and isolated. UC was able to provide campuses with $38 million of direct rebates and write off about $44 million of debt.

Deputy Chief Risk Officer Kevin Confetti reported that the University renewed about 90 percent of its insurance lines on July 1, 2020, including general liability, automobile, and medical malpractice programs. The current global insurance market was under stress. There had been many natural disasters in the last few years. It was estimated that the global insurance market lost over $300 billion from 2017 to 2019 due to natural disasters. The amounts awarded in medical malpractice cases were increasing. From 2014 to 2016, the U.S. averaged about 24 jury verdicts a year for medical malpractice in excess of $10 million; from 2017 to 2019, that average increased to 41 verdicts a year. In both 2018 and 2019, there were three jury verdicts in the U.S. for medical malpractice in excess of $100 million. Although these last-mentioned jury verdicts were not in California, they affected the medical malpractice insurance market. COVID-19 had also affected the global insurance market. In the July 2020 renewal, the University experienced dramatic price increases, substantial contraction in capacity and coverage, underwriters and companies exiting complete lines and types of insurance, exclusions for specific types of liability, and increased retention levels or deductibles.

Mr. Confetti outlined some of the July 1, 2020 changes to UC's casualty insurance. The University's self-insured retention level increased from $10 million to $25 million. For any loss in the casualty program, UC must pay the first $25 million of that loss. The University lost $75 million of capacity, which meant the amount of insurance the University can buy. Prior to the latest renewal, UC was able to purchase $270 million; this amount was now reduced to $195 million. There was now an absolute exclusion for sexual misconduct liability. At one time, sexual misconduct liability had a limit of $270 million, but now did not even have the limit of $195 million. UC was able to procure a small sexual misconduct policy which provided only $10 million in coverage, even on an aggregate basis.

Mr. Confetti presented a chart illustrating the University's use of insurance over a three-year period. The University's self-insured retention ranged from $5 million to $7.5 million in 2018-19, from $7.5 million to $10 million in 2019-20, and, now, in the latest renewal in 2020-21, was $25 million. UC was able to use Fiat Lux to fill insurance gaps and ensure continuity of coverage. He illustrated the potential financial impact of the 2020 changes with an example. If UC had experienced a loss of $180 million in 2019-20, it would have paid slightly more than $32 million of that loss. Now, in 2021, UC would pay over $56 million for the same loss, an increase of 75 percent.

A major component of UC's insurance program was loss prevention and mitigation. The Office of Risk Services funded a number of programs to help the campuses and medical centers prevent loss. In the Be Smart About Safety program, Risk Services returns to the campuses and medical centers a percentage of their premium, for them to invest in loss prevention and mitigation, about $25 million annually. The Centers of Excellence program draws on experts across UC to help address emerging risk and liability issues. There were a number of other programs and special initiatives, including a Violent Acts Mitigation program. Mr. Confetti noted that the premium paid by campuses and medical centers was loss-sensitive, based on their own loss history.

Insurance companies across the U.S. were no longer interested in providing sexual misconduct liability insurance for large university systems with academic health systems. This type of insurance was no longer available to UC. The University was trying to address this with its captive insurance company and build a policy beyond the $10 million coverage mentioned earlier.

UC was working with its captive insurance manager Willis Towers Watson to better evaluate insurance options and maximize protection and coverage in a way that was as efficient as possible. An important consideration was for the University to understand what its risk tolerance was, and a group at the Office of the President was evaluating this.

Committee Chair Makarechian asked what policies UC would put in place to minimize losses in order to improve the rates that insurance companies would offer the University. He asked what the cost to UC would have been the prior year if the self-insured retention had been $25 million rather than $10 million. Mr. Confetti responded that, fortunately, UC did not often reach the $10 million limit and had not yet reached the $25 million limit. Self-insured retentions of $5 million and $10 million were in fact quite low for an institution of UC's size. The University had been experiencing pressure from the market over the past five to seven years to increase its self-insured retention, and had been resisting this pressure as much as possible, but options had become more limited in the past year. Mr. Brostrom added that loss mitigation was an important focus for UC, in areas such as laboratory safety. The University publicized these loss mitigation programs to insurers.

Committee Chair Makarechian asked if litigation defense costs were included in the self-insured retention. Mr. Confetti responded in the affirmative. The self-insured retention included defense and indemnity. Committee Chair Makarechian asked if there was a priority of defense over indemnity. Mr. Confetti explained that both losses were part of the total loss and were not separated. The self-insured retention was the retention per claim or event.

Committee Chair Makarechian suggested that the University should review the indemnification it provides to employees. Mr. Confetti responded that this was a complex matter involving law and policy. The University has declined to provide legal defense for employees who break the law. Intentional illegal acts were not covered by insurance, and the individual committing them would not be entitled to indemnity.

Committee Chair Makarechian suggested that the Office of the President present a report with suggestions about addressing the enormous potential losses the University faced. Mr. Brostrom responded that a task force was examining this question. The University had strengths in its access to capital markets and low cost of borrowing, and might draw on these strengths to address this issue.

9. **INTEGRATED CAPITAL ASSET MANAGEMENT PROGRAM**

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

Executive Vice President and Chief Financial Officer Brostrom explained that the Integrated Capital Asset Management Program (ICAMP) was a comprehensive and very detailed assessment of all UC's State-supported buildings. This allowed UC to manage its deferred maintenance in a strategic manner. For the first time, the University had an extraordinary set of data regarding over 100,000 individual assets in 2,300 buildings. UC had inventoried 60 million gross square feet and reviewed infrastructure. The University had a deferred maintenance need of about \$4 billion, and \$1.5 billion in deferred maintenance for supporting infrastructure.

Associate Vice President Peggy Arrivas explained that UC also assigned a risk score to each item within the ICAMP platform, based on the likelihood and consequence of failure. Using the risk scores that had been assigned, UC estimated that it had about \$263 million of critical deferred maintenance work that should be addressed in the next five years. A large portion of deferred maintenance was associated with larger, older buildings. Nearly two-thirds of the total backlog was for buildings 50 to 100 years old. The deferred maintenance needs were broadly distributed across the campuses and the various asset classes. A significant portion of the needs was related to heating, ventilation, air conditioning, electrical, plumbing, and conveyance systems, which offered an opportunity to align with projects that improved energy and operational efficiency. The Governor's budget proposal released in January 2021 allocated \$175 million toward these types of programs in deferred maintenance and energy efficiency. The University used the ICAMP data to identify critical projects that fell within the categories identified in the State budget proposal to reduce greenhouse gas emissions and lower future energy and maintenance costs. The University was required to present to the Legislature a deferred maintenance and seismic safety plan by January 1, 2022, and had been using ICAMP as the source of data to prepare this report. The report would be provided to the Regents before UC submitted it to the State. Integrating capital renewal, seismic, energy, and other capital program needs, ICAMP could provide a holistic view of UC facilities; it supported the prioritization of projects to reduce operational risk and facilitated life cycle cost analysis necessary to validate investments in facilities that would support the University's mission for many years into the future.

Committee Chair Makarechian asked if the report to be submitted would create legal issues. Mr. Brostrom responded that this report was not a seismic analysis, but a report on deferred maintenance. It would be provided to the Legislature and would be a public document.

Regent Park referred to the background materials provided. She noted the risk categories of red, yellow, and green and requested clarification of the yellow category. Ms. Arrivas responded that the yellow category included items that, if not addressed right away, were not as likely to fail as items in the red category, but, the longer UC delayed work on these items, the more likely they were to move into the red category. Mr. Brostrom added that, if UC had excess funds, it would address these items now.

Regent Park asked if the deferred maintenance need might be even greater in three or four years' time. Mr. Brostrom responded that the need would increase over time, reaching a total of about $1.6 billion. The ICAMP data set was continually being refreshed and provided a basis for life cycle cost analysis. It was an excellent tool for allocating funds strategically.

Regent Park asked about specific costs indicated in a chart for future years. Mr. Brostrom responded that the need within the next five years was about $3.8 billion; a smaller amount was associated with six years and more, about $350 million.

Regent Estolano praised the ICAMP project, especially for its integration of energy efficiency, seismic safety, and deferred maintenance. It was an excellent planning tool for the University. Life cycle analysis was critical.

10. **SACRAMENTO AMBULATORY SURGERY CENTER, UC DAVIS HEALTH, DAVIS CAMPUS**

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

This information item was not discussed.

11. **SIGNIFICANT INFORMATION TECHNOLOGY PROJECTS REPORT FOR THE PERIOD SEPTEMBER 1, 2020 THROUGH DECEMBER 31, 2020**

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

This information item was not discussed.

12. **MID-YEAR REPORT OF THE UC OFFICE OF THE PRESIDENT'S BUDGET TO ACTUAL EXPENDITURES AND SECOND QUARTER FORECAST FOR FISCAL YEAR 2020-21**

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

This information item was not discussed.

The meeting adjourned at 6:35 p.m.

Attest:

Secretary and Chief of Staff