The Regents of the University of California

FINANCE AND CAPITAL STRATEGIES COMMITTEE
January 19, 2023

The Finance and Capital Strategies Committee met on the above date at the Luskin Conference Center, Los Angeles campus and by teleconference meeting conducted in accordance with California Government Code §§ 11133.

Members present:	Regents Chu, Cohen, Kounalakis, Makarechian, Matosantos, Pérez, Pouchot, Robinson, and Sherman; Ex officio member Drake; Advisory members Cochran and Raznick; Chancellors Gillman, Hawgood, Khosla, May, and Muñoz; Staff Advisor Mackness
In attendance:	Secretary and Chief of Staff Lyall, General Counsel Robinson, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Senior Vice President Colburn, and Recording Secretary Johns

The meeting convened at 9:45 a.m. with Committee Chair Cohen presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of November 16, 2022 were approved, Regents Chu, Cohen, Drake, Kounalakis, Makarechian, Matosantos, Pérez, Pouchot, and Sherman voting "aye."[1]

2. **PRELIMINARY PLANS FUNDING, MULTIDISCIPLINARY LIFE SCIENCES BUILDING, SAN DIEGO CAMPUS**

The President of the University recommended that the 2022–23 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: <u>Multidisciplinary Life Sciences Building</u> – preliminary plans – $14 million to be funded from campus funds.

[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 Cohen briefly introduced the item.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Chu, Cohen, Drake,

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

Kounalakis, Makarechian, Matosantos, Pérez, Pouchot, Robinson, and Sherman voting "aye."

3. **PRELIMINARY PLANS FUNDING, CENTRAL UTILITY PLANT EXPANSION, DAVIS HEALTH CAMPUS**

The President of the University recommended that the 2022–23 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: <u>Central Utility Plant Expansion</u> – preliminary plans – $15 million to be funded with hospital reserves.

[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 May explained that this project would improve the utility capacity, reliability, and performance of the Central Utility Plant (CUP) on the UC Davis Health Sacramento campus, provide required seismic safety upgrades, and position UC Davis Health to decarbonize CUP operations in the long term through a dedicated connection to the local utility provider. UC Davis had completed a major project at the main Davis campus in 2022, changing from a steam system to a hot water system. Phase 2 of the hot water project was proceeding to further reduce UC Davis' greenhouse gas emissions. For the Sacramento campus, UC Davis was now proposing an even larger reduction.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board, Regents Chu, Cohen, Drake, Kounalakis, Makarechian, Matosantos, Pérez, Pouchot, Robinson, and Sherman voting "aye."

4. **MESA COURT RESIDENCE HALL EXPANSION, IRVINE 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 Gillman introduced this item, the Mesa Court Resident Hall Expansion, for which UC Irvine had received a $65 million award from the State through the Higher Education Student Housing Grant Program. If the State could help lower the cost of building new housing, the campus could charge students less for living in the housing. Concerns had been raised about having one building reserved for lower-income students who were paying less than other students, so UCI worked with the State on a new vision, to create a program providing housing subsidies for lower-income students that would allow them to use the subsidy to reside in any campus dormitory. The design of the building would have accommodated about 300 lower-division undergraduate students, but UCI calculated that with the State's help, the campus could provide a subsidy of about $400 a month for an additional 186 students. With project approval, UCI would be able to provide a much less expensive housing option for 486 students, beyond other already affordable options. Chancellor Gillman explained that, while some language in the background materials suggested that rental rates in this building would be lower, this was not the case; that idea was based on an older model. Instead, UCI would provide subsidies for an equivalent or larger number of students.

The proposed residence hall was envisioned as a five-story structure to be built on an infill site on the existing Mesa Court complex. It would provide triple occupancy rooms along with shared kitchen, study room, and other common spaces. The location would allow the building to take advantage of nearby dining and community facilities already in the Mesa Court project, making this a more efficient structure to build. Chancellor Gillman anticipated that the campus would present an action item for this project at the March meeting, with projected completion of the project by fall 2025.

Regent Sherman noted that students living in this housing would not have separate utility costs, which they would have to pay if they lived in an off-campus apartment. This made UC housing rates even further below market. Chancellor Gillman confirmed that this was an extra benefit.

Executive Vice President and Chief Financial Officer Brostrom remarked that, in UC's efforts to provide a debt-free educational pathway for students, this was an excellent example of partnership with the State. The more UC could work with the State on projects like this one, the faster it would move toward the debt-free goal.

5. **UPDATE ON THE UNIVERSITY'S INTEGRATED CAPITAL ASSET MANAGEMENT PROGRAM AND SEISMIC SAFETY 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 introduced this discussion of the University's significant one-time capital needs to address aging buildings and utility systems. The University was in the early stages of developing plans for decarbonization and electrification of the campuses and medical centers but estimated that this could cost as much as $5 billion to $10 billion. If one added to this an estimate of $6 billion for capital renewal and about $13 billion for seismic safety needs, this resulted in a one-time capital need in the range of $25 billion to $30 billion. The University had plans to address this challenge and would do so in a methodical and consistent manner.

Associate Vice President David Phillips recalled that the Annual Report on Sustainable Practices, presented to the Regents the prior day, had shown that UC's energy use had dropped by two percent per year for the last 15 years. Unfortunately, the state of UC's buildings and infrastructure systems was not as favorable. The problems UC faced today were not new. He referred to an internal report on this topic from 1993, which identified reduced funding and the erosion of UC's physical asset base as problems and warned that the inability of the University to provide high-quality and well-maintained facilities threatened UC's ability to maintain its excellence and innovation. The report also stated that awareness of the depth of the capital assets problem among all members of the University community was the first step in developing the consensus needed to support a strategic approach to make hard choices on the management of the University's assets. Mr. Phillips presented a chart from the 1993 report showing how the backlog of deferred maintenance had grown during the preceding ten years. The deterioration of capital assets is not a linear process; it accelerates as building systems age. The 1993 report recommended that UC make investments in renewal to keep pace with depreciation along with ongoing funding to maintain its physical assets. For a variety of reasons this did not happen. The University currently had over $6.6 billion in renewal needs, $5.3 billion for buildings and $1.3 billion for infrastructure. The State had given UC over $800 million in one-time funds since 2015 to address this, and campuses had spent other funds on these needs as well. Nevertheless it was clear that UC investments had not kept up with the increasing demands.

Over the past ten years, UC had completed a comprehensive inventory of its assets through the Integrated Capital Asset Management Program (ICAMP). UC had inspected nearly every building and its components including roofs, electrical systems, and heating, ventilation, and air conditioning equipment, had catalogued the buildings' condition and estimated renewal needs, and had entered this information in a centralized database. This database included information on over 40,000 systems and it enabled UC to prioritize needs based on asset conditions and the consequences of failure.

Mr. Phillips presented an ICAMP information dashboard which indicated that nearly half of UC's buildings were 50 to 100 years old. ICAMP identified one category of projects as the highest-priority projects because their failure would cause significant operational problems or because fixing them after they failed would become significantly more expensive. The University's commitment to seismic safety added to its capital renewal needs. UC's seismic safety policy dated back to 1975. The University takes a very strategic approach and has an independent board that assists with technical advising. UC's policy had the goal of renovating all high-risk buildings by the end of 2030. The seismic safety and capital renewal need was estimated at about $19.2 billion. Since the prior year, the square footage of UC's seismically non-compliant buildings had dropped by about seven percent from more than 47 million square feet to about 44 million square feet. Twenty percent of this work was accomplished by renovation, demolition, or decommissioning; the remaining 80 percent was due to a more detailed evaluation of the condition of buildings, which found that approximately 35 buildings were compliant with seismic safety policy.

Mr. Brostrom commented that, in order to address capital needs of this magnitude, the University would need to draw on every current financing option and seek to develop other options. Over the past decade, UC had primarily relied on general revenue bonds, often through the Assembly Bill 94 mechanism. UC was also issuing billions of dollars of Medical Center Pooled Revenue Bonds to meet the Senate Bill 1953 requirements for seismic upgrades to UC hospitals. This process was going well, in part because of the medical centers' revenue streams. UC had received one-time funding from the State in the past decade and was working with the Legislature and the Governor's administration on a potential general obligation bond measure in 2024. UC was also advocating for the renewal of State lease revenue bonds, which were a significant part of UC financing, for billions of dollars of capital projects prior to 2011. UC was also seeking short-term loan options from the State's Pooled Money Investment Account, currently for seismic retrofit work at the hospitals, but if this approach was successful, it could be extended to housing and general capital projects. The University has used public-private partnerships for many capital projects, most notably the Merced 2020 project. Unfortunately, the public-private partnership mechanism was less feasible for capital renewal projects because they do not produce new revenue streams. The University would need to proceed with all possible financing options, including UC, State, and third-party financing to address these capital liabilities.

Mr. Phillips concluded by remarking that UC would continue to pursue all available funding options. The University would prioritize funding on the highest-priority projects, especially those that achieve multiple campus objectives. The Office of the President would expand its reporting on key metrics, including annual spending. UCOP did not have these data ready to hand, as Mr. Phillips would like. UC would update its models to reflect post-pandemic circumstances and enrollment growth and was proposing a new ongoing goal to reduce capital renewal and seismic safety needs by at least two percent annually, which would change the trajectory of UC's capital needs.

Regent Matosantos asked about federal support related to climate change and healthcare access. Mr. Brostrom responded that the University was reviewing how it might access Inflation Reduction Act funds. There was also federal support for infrastructure, such as bridges and storm drains, which should be available to UC. He stressed that energy efficiency would be part of any UC capital renewal and seismic safety projects, which would also take on windows, heating, ventilation, and air conditioning equipment, sensors, and lighting fixtures to make UC buildings as energy-efficient as possible. All financing options would be explored.

Regent Matosantos suggested that a review of capital renewal needs, depending on how they were grouped, might show that UC was eligible for transportation and infrastructure funding, or that UC could seek funding together with other community partners. She encouraged UC to understand how its capital needs fit into a broader ecosystem and to consider nontraditional funding sources. Mr. Brostrom responded that ICAMP and UC's seismic safety review take a longitudinal view. There were high-priority items (in the "red" category) that must be addressed right away, but there was more time to consider funding sources for projects in the "yellow" and "green" categories. The University's scale of Seismic Performance Ratings of I to VII allows time for triaging projects in the most cost-effective manner and in a manner that is most sensitive to public safety.

Regent Pouchot asked about the goal to reduce capital renewal and seismic safety needs by at least two percent annually, and if two percent was sufficient. Mr. Phillips responded that more precise data, which he hoped to obtain, would give a more accurate indication of UC capital renewal needs and spending over time. He asserted that two percent was a reasonable goal. More precise data might indicate that a higher goal was appropriate. Mr. Brostrom added that the University had a much better understanding of its systemwide seismic safety needs since the formation of the Seismic Advisory Board and revisions to the University's Seismic Safety Policy about six years prior. This more accurate information accounted for the current cost trajectory, but it also allowed UC to triage projects more effectively. He hoped that UC's better grasp of the situation would help address the cost curve. Under normal circumstances, an institution would spend the amount of depreciation, but due to the seismic safety issue, the University must spend more than the normal depreciation costs for capital renewal.

Regent Sherman asked if the cost amounts for capital renewal and seismic safety did not include projects previously approved by the Regents, such as projects at the UCSF Parnassus campus. Mr. Brostrom responded in the affirmative.

Regent Sherman referred to information on a chart shown earlier indicating that the average size of UC buildings that were 50 to 100 years old was relatively small, roughly 29,000 square feet. He assumed that, when UC rebuilds these structures, it would increase the density and maximize use of the space and asked if there would be any restrictions on this, other than the usual California Environmental Quality Act requirements. Mr. Brostrom responded that many of these small buildings were at UC Davis, older buildings that would not be renovated. When UC constructs new buildings, they are designed for efficiency and to avoid deferred maintenance costs for a long time.

Committee Chair Cohen suggested that it would be helpful for the Regents to have a chart showing capital renewal and seismic safety projects already approved by the Regents and projects in preparation, so that one could see if the University was on track to achieve its goal of reducing capital renewal and seismic safety needs by two to three percent annually over the next five years. Mr. Brostrom responded that this could be provided.

Regent-designate Raznick asked about having capital renewal and seismic safety projects added on to other projects. Mr. Brostrom responded that a best practice in capital planning should be that a new building project include a small endowment for timely renewal work. Unfortunately, due to scope changes and cost increases, this element is often dropped from projects.

Regent-designate Raznick suggested that the University might wish to mandate this practice for a certain period. He noted that UC's Seismic Safety Policy appeared to be more stringent than the State's policy and wondered if this should be reviewed. Mr. Phillips responded that State building codes had a changed a great deal over time, and some UC buildings had been built under older codes. The University had a more conservative approach than some State agencies and had put a great deal of thought into developing its policy. UC might review its policy, given the magnitude of the needs and the 2030 seismic safety deadline for hospitals. Regent-designate Raznick suggested that UC review the policy.

Staff Advisor Mackness observed that some projects had not yet been captured in the ICAMP system. UC Berkeley carried out a review of its core student housing units in 2019 and identified $275 million in deferred maintenance needs, not including seismic safety needs. The campus would soon repeat this review, and she anticipated that the needs would be above $500 million. The figures presented in this discussion might be an underestimation. Public-private partnerships were not a good mechanism for rebuilding structures. It was becoming more difficult for UC Berkeley to establish these partnerships due to union contract conditions and to make these deals attractive to private partners. Mr. Brostrom stated that these observations were correct. In seismic upgrades, existing student housing was being made safer, but the campus was not adding new beds, so that there was no additional revenue. The advantage of the public-private partnerships was that renewal and seismic risk was transferred to the partner; but these partnerships were becoming costlier. Mr. Phillips explained that the figures shown earlier included only buildings eligible for State funding, a subset of UC's total square footage. He stressed that all these data should be entered in ICAMP, so that all this information was in one database.

Regent Robinson stressed that it was a best practice for capital projects to include a reserve for these needs. Projects should have a 25 percent higher capitalization and should not be approved until that capital is identified. He asked that there be further discussion of the possibility of having such a policy, and what the ramifications would be for projects in the near future and medium-term future. Mr. Brostrom agreed that having a reserve for major renewal needs over the lifecycle of a building was a best practice for at least the first 25 to 30 years. Some UC projects did have such a reserve, but projects built with philanthropic support often lacked this. In those cases, the University should find supplemental funds to create a reserve. Mr. Phillips added that a recent report by the Legislative Analyst's Office reviewed this issue for UC and the California State University and included as a recommendation that one capitalize future maintenance for new facilities.

Regent Makarechian asked if the ICAMP survey had been completed on all campuses. Mr. Phillips responded that review of the major infrastructure was complete. Work on some components remained to be done. Last year, the estimated costs were updated based on new construction standards.

Regent Makarechian asked if there was a chart with a breakdown of high-priority projects by campus. He assumed that there would be more need on the older campuses, UC Berkeley and UCLA. Mr. Phillips responded that the Office of the President had the dashboard data for all UC locations. It was the case that the older campuses had the greatest challenges, and needs were generally in alignment with building age.

Regent Makarechian asked if the ICAMP data were broken down into subcategories. Mr. Phillips responded in the affirmative. ICAMP still had some work to do on auxiliaries; its primary focus had been on State-funded projects. Auxiliary projects would be included in ICAMP. The medical centers were not yet fully integrated into ICAMP and they had a different seismic safety mandate.

Regent Makarechian suggested that the medical centers could pay for their own renewal needs and should be in a separate category, distinct from renewal projects for which the University needs State and other funding sources. He also noted that some campuses were wealthier, with greater debt capacity than others, and this affected their ability to address high-priority projects. It might be desirable to break down the data, showing "red" category projects by campus, and to separate energy efficiency projects from seismic safety and capital renewal projects. He asked that future presentations break the data down in these ways. Mr. Brostrom responded that the chart presented in this discussion only included State-supported buildings, and did not include student housing, parking, and the medical centers, which had their own revenue streams.

Regent Leib suggested that the University should request maintenance reserves as part of major gifts for capital projects. Donors might be agreeable to this. Referring to the remarks made earlier about UC's Seismic Safety Policy, he asked if UC was perhaps being too conservative in its policy. UC's cost estimates for seismic safety work might be excessive in some cases. The University should review policy and cost estimates. Mr. Brostrom commented that most UC buildings were in the Seismic Performance Rating V category. The Office of the President had asked the campuses to carry out a further evaluation, and some buildings were being reevaluated as having a Seismic Performance Rating IV, or V Prime, and would not need to be addressed right away. The cost estimates were based on preliminary evaluations; there would be a more thorough business inspection and consideration of all factors.

Regarding donors, Chancellor Hawgood stated that he was in favor of forward-funding for the maintenance of buildings but suspected that this funding would not come from philanthropy. At UCSF, philanthropy contributed to approximately 30 percent of the total construction cost on any building. UCSF was already supplementing philanthropy by about 60 percent for most building projects.

Regent Leib stated that he understood Chancellor Hawgood's point but suggested that there might need to be a cultural change in philanthropy. There might be steps the University can take, in how it asks and how it presents projects, that would spur donors to change their views. Chancellor Hawgood responded that UCSF currently asked its donors to contribute ten percent in non-construction funding, but for operations, not deferred maintenance. What Regent Leib was suggesting would be a change in how UCSF requests support.

Regent Sherman opined that donors were more interested in the total dollar amount for a new building project, and less concerned about the percentage of hard construction costs versus percentage for a maintenance reserve. Addressing the need for a reserve might depend on how a campus presents an overall budget to a donor. He asked if donors express disagreement about details of projects. Chancellor Hawgood responded that this varied by donor but observed that, in general, donors have a contribution amount in mind, and it is far from 100 percent of the costs.

Chancellor Khosla shared his experience of approaching donors for capital project support at UC San Diego. Donors were interested in building programs and naming opportunities, but not in maintenance, and might respond negatively to a request for maintenance funding.

Regent Chu commended Mr. Brostrom, Mr. Phillips, and their colleagues for pulling together these systemwide data and acknowledged that this requires a great deal of work by staff. She outlined a number of topics and questions she would like to see addressed in discussions and presentations in the coming years: (1) The funding overlay, and how projects approved by the Regents has reduced the obligation. What obligation and debt has UC already committed to? (2) Parceling out different strategies for funding particular buildings. Some buildings would be easier to fund with philanthropy and donors than others. (3) What is UC's long-term strategic approach to this funding? (4) Seismic retrofitting is also facilities renewal and eliminating some of the renewal needs. It would be good for the Regents to know how these different pieces of investment and actions interact and reduce or change renewal needs over time. (5) How might UC change the footprint of its assets in the future in order to reduce the demand on maintenance, such as having five consolidated buildings rather than ten buildings? (6) Could UC raise the level of its spending on operating maintenance over time? This might be possible over a longer period. (7) UC would have to accommodate student population growth over time. How do UC facilities meet or not meet those needs? How would UC's capital program change? (8) How would the changing manner of delivering education bring changes to the kinds of buildings UC constructs? Was UC still building large lecture halls, or other kinds of buildings to deliver different kinds of experiences for students?

Mr. Phillips responded that these were all relevant questions. He noted that hundreds of people had been working to compile these data. The Office of the President was committed to providing an overall picture of seismic safety and capital renewal needs and strategy as adumbrated by Regent Chu. UC needed to have a bigger picture of which projects had been accomplished, projects that have been approved with funding, and future projects. The Multidisciplinary Life Sciences Building project at UC San Diego, approved earlier in this meeting, was a good example of replacing several older buildings with seismic and deferred maintenance needs with one modern building. Mr. Brostrom added that the reconfiguration of administrative space also presented an opportunity. UC employees were moving to hybrid work arrangements, working in an office two to three days a week, and this required less administrative space. Campuses were already giving up leased administrative spaces off campus. UC Berkeley would convert administrative space in University Hall to academic space.

6. **REVIEW OF THE GOVERNOR'S JANUARY BUDGET PROPOSAL FOR 2023–24**

[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 this discussion by noting that the Governor's overall January budget proposal for 2023–24 totaled

$297 billion in expenditures, of which $224 billion was from the General Fund. The “rainy day” reserve, a prudent addition to the State budget process, was now fully funded at its constitutional maximum. A $22.5 billion gap was forecast for the General Fund, and Governor Newsom proposed to address this through funding delays, reductions, and shifts.

Associate Vice President David Alcocer explained that the Governor’s January budget included $256 million in new, ongoing State support for UC next year. Most of that amount, just over $215 million, was provided as a five percent increase to the University’s permanent State appropriation. This was consistent with the Compact and essential to covering a portion of the cost increases that UC expected next year, including costs associated with enrollment growth. Also consistent with the Compact, the proposal included $30 million to offset the reduced revenue and increased need for financial aid associated with further reducing nonresident enrollment and increasing California resident enrollment at the Berkeley, Los Angeles, and San Diego campuses. The budget made good on a commitment by the State to cover debt service on the new School of Medicine Education Building at UC Riverside. The Budget Act of 2019 expressed the Legislature’s intent to provide the support, which would begin next year when the building opens. A similar commitment was made to UC Merced, and UC expected this funding to appear in the 2024–25 budget. The Governor’s January budget included an additional $4 million for graduate medical education to offset a projected decline in tobacco tax revenue that would otherwise be used for this purpose under Proposition 56. These funds support medical residency programs not just at UC but at medical centers throughout the state.

Regarding one-time funding, the Governor had proposed deferring a number of planned investments by one year. This included a portion of the $200 million allocated in the current fiscal year for the UCLA Institute for Immunology and Immunotherapy. The proposal kept $100 million in the current year but delayed the other $100 million until 2023–24. Three other one-time investments planned for 2023–24 would be delayed until 2024–25: an additional $200 million for the UCLA Institute for Immunology and Immunotherapy, $83 million for the Berkeley Clean Energy Campus Project, and $83 million for campus expansion projects at UC Riverside and UC Merced. All three projects were originally envisioned as being funded over the course of three years (2022–23, 2023–24, and 2024–25). The Governor’s budget did not change the total amount of funding that would be provided but it did change the timing, in that funds originally intended for years two and three would all be provided in year three instead.

This general strategy of deferring but not reducing the planned level of investment also applied to two student housing-related programs. In 2021–22 the State established a State-funded housing grant program to subsidize the cost of building new student housing with the savings passed along to students in the form of lower net rents. The program was to be funded by a total commitment of $2.2 billion in State General Funds over three years, to be divided among the three segments of California higher education, with UC receiving 20 percent of the total. The Governor’s budget maintained that commitment, but the third and final installment would be spread over two years, so that instead of an additional $750 million added in 2023–24, $500 million would be available, with the remaining $250 million deferred until 2024–25.

Similarly, the State had planned to launch a student housing revolving loan program next year which also would have lowered the cost of capital for public institutions seeking to expand housing. The Governor's budget would provide the same $1.8 billion over a two-year period, but it would start in 2024–25 instead of 2023–24. The Governor's administration had signaled its intention to provide the same aggregate funding for these programs, previously planned, and this was very favorable from the University's perspective. The Governor's budget would also fully fund the Cal Grant program, important to maintain UC affordability for undergraduates, and would continue the expansion of the Middle Class Scholarship program, which directly supports UC's own plans to expand access to a debt-free path for UC undergraduates.

Mr. Brostrom briefly outlined the advocacy UC would pursue with the State for the budget approved by the Regents and for a $1.2 billion request for capital outlay, also approved by the Regents. The University would also discuss with the Legislature the possibility of lease revenue bonds or a general obligation bond on the ballot in 2024. UC would continue to work toward the multi-year Compact goals of expanding access, improving affordability, and increasing student success.

Regent Sherman asked about the ratio of UC core funding provided by the State on the one hand and by tuition revenue and other revenues on the other. In the past the proportions were about 50 percent each. Mr. Alcocer responded that this was roughly the case. For a number of years, the State portion had diminished, but after several years of consistent, gradual increases, the ratio was now close to 50/50.

Regent Sherman asked about the timetable for the UCLA Institute for Immunology and Immunotherapy. Mr. Brostrom responded that the Office of the President was working with UCLA on the delivery model and waiting for legal review. Even with the delay in State funding, the campus wished to proceed with interim financing.

Regent Sherman asked how this State funding would be paid out to UCLA. Mr. Brostrom responded that it would be paid in arrears, in one lump sum.

Regent Chu asked about the impact of the funding delay to UC projects. Mr. Brostrom responded that much of the project planning was completed, and UC Berkeley had begun work on its project. The delay to the three one-time investments put the University in a quandary because the campuses could not afford to carry out these projects without State support. This could be offset with one-time monies, or debt service from the State; UC could finance against that debt service, rather than having a large one-time outlay.

Regent Chu asked if the UC Berkeley and UCLA projects were the most challenged in terms of timing. Mr. Brostrom responded that UC Merced and UC Riverside did not have the necessary funding capacity. All the projects were challenged. Mr. Alcocer commented that the delayed implementation of the final part of the planned student housing grant program did not have an adverse effect on UC. The University's anticipated share was 20 percent of $440 million. UC had already received support and approval for about $390 million of its projects, with about $50 million left. Given that $500 million would still be made available next year, there would not be a detriment to these housing projects. Mr. Brostrom added that UC had many housing projects ready to begin construction that could use this funding. Several campuses were working on joint projects with community colleges.

Regent Chu observed that, even though the project budget would remain the same over a longer period, the University would have to absorb the escalation of construction costs.

Chancellor Muñoz recalled that the Regents had approved the site and make-ready portion of the UC Merced Medical Education Building project at the November 2022 meeting. He asked if the Governor's budget included $14.5 million for the project. Mr. Alcocer responded that it was not included in the budget plan for 2023–24, the next fiscal year, but the Governor's administration had indicated that this was still on track to be available in 2024–25.

The meeting adjourned at 11:00 a.m.

Attest:

Secretary and Chief of Staff