

Campus Planning Committee
January 31, 2012 2:00-4:00 p.m.
Minutes

Members Present: Todd Lee, Gary Leal, Gene Lucas, Henning Bohn, Joel Michaelsen, Marc Fisher, Tania Israel, Ron Cortez, David Marshall, Rod Alferness, Beverly Colgate, Michael Witherell, Michael Young, Linda Flegal, Harrison Weber

Members Absent: Gayle Binion, Richard Watts, Diana Dyste Anzures

Alternates Present: None

I. ANNOUNCEMENTS

Assistant Chancellor Lee provided an update on the Governor's budget proposal FY 2012-13 released earlier this month. The State Budget shortfall varies depending on the source of information. The Department of Finance is reporting a \$9.2 billion deficit and the Legislative Analyst's Office is reporting a \$12.8 billion deficit.

The UC portion of budget includes \$90 million as funding for the state's obligation to UCRP (retirement system). The proposed budget makes this year's \$100 million mid-year cut permanent. UCOP was trying to make this cut temporary. This year the cut was handled by UCOP through reserve funding, as it becomes permanent it will be distributed down to campuses per the funding streams distribution formulas.

There is a proposal to shift debt, the state's share of General Obligation (GO) bonds and Lease Revenue Bonds (LRB), from the state to UC making it part of our base. There are advantages and disadvantages to the proposal. This provides an opportunity to take advantage of UC's credit rating and potentially reduce debt cost and free up some funds for other uses, whether it is for capital or operating. It is still unclear how this would impact future State Capital funding.

A mid-year budget cut is proposed if the November election to increase taxes is not approved or does not make it on the ballot. The cut to UC would be \$200 million. The proposal includes an increase of 0.5% in sales tax and a temporary tax increase on highest income Californians. The tax increases will collect \$6.9 billion in new State General Funds.

The Governor's budget proposal does not provide funding for many UC needs including enrollment growth, salary increases, benefit increases, deferred maintenance, and program improvements. All of these items were outlined in the Regents expense budget, totaling \$416 million of requested funding. Many items will be campus responsibilities as it has been for last few years, salary increases will be negotiated and funded locally.

The budget proposal discusses the need for a Long Term Education Plan for Higher Education beginning 2013-14. This deals with predictability in State Funding, affordability, and accountability. Included would be a 4% increase in base budget growth, and base budget funding for the UCRP. The funding coming into the UC would be a block grant providing greater fiscal flexibility; this would create some flexibility on capital programs and the implementation of

critical capital projects. UC Merced would receive the capital funding they need to move forward. There would be modest and predictable tuition increases over time.

Over the next few months the assembly and the senate committees will be asking for additional information from UC and other state agencies to inform decisions on the May Revision of the State Budget.

For an overview of the 2012-13 State Budget and UC Budget Update see link below:
<http://budget.ucop.edu/documents/2011-12/budgetoverview2012-13.pdf>

A copy of the various presentations given at CPC can be found at:
<http://bap.ucsb.edu/capital.development/cpc/cpcpresentations.html>

II. MINUTES

The minutes from November 29, 2011 were approved as written.

III. ACTION ITEMS

A. Santa Rosa Fire Safety and Renewal

The Committee, by consensus, recommends that the Chancellor approve the Santa Rosa Fire Safety and Renewal schematic design allowing the project to move into construction. The project retrofits the building with a sprinkler system and replaces the exterior windows to be consistent with the other residence halls.

IV. DISCUSSION ITEMS

A. Process on Capital Funding

Assistant Chancellor Lee gave a presentation explaining how capital projects are funded. There are several funding sources that can be utilized for capital projects: State Funding, Opportunity Funds, Garamendi, auxiliaries (user fees), campus based fees and donor/gift funds. Currently there is approximately \$750 million in debt campus wide, not including debt associated with State GO Bonds, but this does include debt from LRBs (24% of campus debt). Student housing is responsible for approximately 47% of campus debt, Student services and campus based fees are around 10%, Opportunity Funds/Garamendi 9% and parking 5%. Current annual debt payments are approximately \$54 million.

State Funding targets are provided by UCOP to the campus and are included in the 10-Year Consolidated Financial Plan. Funding requires approval. GO bonds require approval from California voters; the last approved GO bonds were issued in November 2006. LRBs are part of the budget process approved by the Senate and Assembly, and signed as part of budget by the Governor.

Changes to funding for operation, maintenance and plant (OMP) costs associated with newly constructed space have been implemented; it is now a campus obligation and no longer a separate allocation. Approximately \$10.00 per Maintained Gross Square Foot – needs to be funded from campus workload allocation.

Projects typically considered for State Funding include: instructional buildings for enrollment growth, life safety, renewal, renovation, and infrastructure. Life safety projects have been highest priority over the past few years followed by renewal and renovation projects. There will be no State Funding for projects this year.

Opportunity Funds are a portion of the campus's Indirect Cost Recovery (ICR). On Federal ICR Funds, 19.9% goes into a contract and grant overhead, known as "Off-the-Top" and cannot be used as a source of debt payment. This is used to help fund the administrative expenses associated with contracts and grants. The remaining 80.1% is split; 55% goes into the University General Funds and is used to pay salaries, benefits, operating costs, instructional departments and most administrative departments. The remaining 45% is allocated as an Opportunity Fund, this fund can be used as the campus sees fit. This means 36% of Federal ICR Funds become Opportunity Funds.

The pledge of Opportunity Funds for debt is subject to two tests. A Pledge Test dictates the ratio of debt pledged cannot exceed 65% of the campus allocation – currently at 62%. The Payment Test dictates that the ratio of debt service paid cannot exceed 33% the campus allocation. The difference between pledged and paid being the bond community recognizes just a few of the campus's funding sources, we can pledge funds on an annual basis and we can pay with any fund source we have available. This means the campus has to find other fund sources that can be used to bridge the gap between paid and pledged, this can be achieved through gifts, interest from investments, income generated from particular facility etc. The campus must be in compliance with both tests or seek a waiver from UCOP. Debt capacity can be increased by increasing grant activity or by paying off existing debt. New space funded by Opportunity Funds needs to take into account ongoing OMP costs. Typical uses of Opportunity Funds include; annual allocations to research control points, recruitment expenses, minor capital projects (equity), surge space, and capital project cost overruns.

Garamendi funds for research projects come from Federal ICR. The Garamendi process allows the campus to use Opportunity Funds but also the "Off-The-Top" Funds and the General Fund. A Garamendi project has to cover the debt, OMP, and have available capacity for future minor capital projects or deferred maintenance. There are similar pledge and payment tests as with Opportunity Funds except tests includes both debt and OMP costs. The program started in 1990. UCSB has 5 Garamendi projects; KITP, MRL (OMP only), MSRB, CNSI, and Bioengineering. Currently 17% of Federal ICR for the campus is going towards Garamendi projects.

Auxiliaries are the highest portion of campus debt; Student housing is about 47%, parking 5%, and bookstore has some debt. These auxiliaries are self-supporting enterprises and can pledge their revenues as sources of repayment for debt. The enterprises often contribute equity to projects from reserves. In the analysis of new capital projects it is necessary to demonstrate sufficient net revenues to cover new program related costs, OMP, debt payment and required reserves. Projects normally require increases in user fees.

Campus based fees require the approval of students via vote. They vote on various projects, these can be capital or operating support for a particular program. The fee revenue must cover debt

service, debt coverage requirements (25% of debt), operations & maintenance of space, and required financial aid. The fee level applied takes into account these expenses and the student population; the campus typically ensures the project meets all the expense requirements based on current population so growth can take care of additional costs over time (OMP, inflation etc). Current undergraduate students are paying \$1,400/yr in campus based fees which covers both program and capital projects.

Donor and gift funds typically use cash as the primary source. Occasionally donors will want to spread a gift over a set time period. With these projects the campus looks at two types of financing to help support funding. Standby financing is used to bridge the timing difference between project expenditures and receipt of gift funds; this requires 50% of the donor funds in cash or pledges and a backup source for repayment (doesn't count against debt capacity), the campus's only backup source is Opportunity Funds which are already fully utilized. Interim financing is used to temporarily replace funding yet to be raised for the project and also requires a back-up source for repayment (counted against debt capacity).

Third party project delivery is typically considered for housing projects. The campus would lease the third party land and they would be responsible for financing the project, and the construction/sale/ rental of the housing. Although a good idea in concept, this model hasn't been successful on this campus due to difficulties in keeping rates for housing below market rates, the campus has the ability to construct and offer below market rates.

Over next couple months the Office of Budget & Planning will begin updating the campus's 10-Year Consolidated Financial Plan.

B. Update on Capital Needs – Student Affairs

Vice Chancellor Young presented the space needs for Student Affairs. There are several divisions that need space in the future these include: Associated Students; Student Mental Health & Wellness; Campus Learning Assistance Services (CLAS); Student Resource Centers; Admissions; Recreation; Arts & Lectures Office Space; Performing Arts Venues.

Current needs have outgrown the Student Resource Building (SRB) and other divisional space. There is growing demand for student mental health and wellness space, CLAS has dramatic need for additional classroom space. Students are asking for additional study space, computer labs are oversubscribed, and there is a need for high-quality social and rehearsal space. New and emerging population need resource centers to support them.

The SRB model has been very successful; a proposed solution to the space shortages is a Student Engagement Center. This could be constructed as liner building to Parking 22 on the site adjacent to the SRB and would serve as a complimentary facility. The facility would accommodate: A.S. food bank, bike shop and current departments occupying Building 434 Annex; expanded study and computing space; CLAS space; student group and A.S. meeting and rehearsal space; Resource centers for emerging populations, guardian and dream scholars, international and non-resident students and veterans; integrated wellness space and space for student mental health services.

Student health service is a full service health service which in 2011 had 52,000 visits. This is the most used and largest department within SA. Student health service has dramatically out grown their space. It is currently in a location that has been designated for future development and will need relocated elsewhere.

Admissions are spread out in three locations and space is limited. UCSB is becoming increasingly popular, there were 55,000 applications for undergraduate admissions, and the increase in volume requires more staff and space. Both staffing and student needs could be consolidated: Admissions, Office of the Registrar, Financial Aid, and BARC. The Visitor's center space is inadequate and there not enough storage for seasonal and student staff. There are 40,000+ visitors annually yet the center can only accommodate 100 visitors at one time.

The Division of Student Affairs is trying to achieve zero-net energy, a proposed solar arrange for the roof of Parking 22 has been approved and will provide 150% SRB energy requirements.

Many buildings will require ongoing maintenance and renewal in the future these include: SRB, SAASB/Visitor Center, RecCen I&II, Orfelea Family Children's Center, Counseling & Career Services Building, Student Health, Arts & Lectures, Embarcadero Hall / Isla Vista Theater, Building 300, and the Multicultural Center.

C. Update on Capital Needs – College of Letters & Science

Executive Dean Marshall presented the space needs for the College of Letter & Science. College administration has grown as student enrollment has grown, budget cuts have reduced faculty and staff numbers, but the College needs to restore staffing levels when budget allows. A large portion of the campus is run out of Cheadle Hall. The building is not appropriately sized and is poorly configured. It may be difficult to find funding for renovations or a new administrative building but it is important to create plans for the future.

The Division of Undergraduate Education is responsible for 20,000 students or more. L&S has to expand undergraduate advising, the college honors program, undergraduate research & creative activities office, pre-professional advising (med& law), and other specialist advising space.

The LRDP projects an increase of 3650 undergraduate students, corresponding staff and advisors, specialist services, more and more contiguous space for advising staff, space in remote venues for advisers will all be needed to accommodate this growth.

The dilapidated Campbell hall building is the only available space with 800+ seats, elsewhere on campus there is only one building in the 500 seat range and one in the 400 seat range. There are lecture hall seats spread throughout campus; however there are not enough auditorium spaces to accommodate large lecture courses. Many teaching labs have been turned into research labs. The teaching labs that remain are inadequate and very dated, making them difficult to maintain and expensive to keep functional, this limits student class numbers for those courses due to lack of adequate facilities. Technology will continue to be important and the campus will need update labs and classrooms with modern equipment. L&S could teach larger numbers of students if there were more large venues available. Classroom availability directly impacts the availability of the required courses students need to graduate.

The L&S release space plan dates back to 2003. Originally scheduled to begin in 2008, 58,000 ASF would be distributed to 20 L&S departments. The intent was to address space shortages, to relieve impacted areas and program, collocate programs by discipline and consolidate departmental space. Various budget crises stalled this plan and to date only 50% of the ASF allocation has been made available. Projects planned with State funding need to be rethought.

The LRDP projected demand for I&R building development requires 930,000 New ASF that would be available for L&S programs and departments; the campus needs to anticipate planning to achieve this goal.

Future needs will include increased space for: Departmental growth, new administration and staff support configurations; Emeriti and Retirees; international exchanges, visiting students and scholars; performing arts venue for academic programs and art & lectures.

D. Update on Davidson Library Project

Director Haines gave an explanation of the steps being conducted on the Davidson library with LRB financing which involves due diligence on the project. As a requirement for LRB financing the campus had to reaffirm the seismic integrity on the portion of the library not being renovated. During this process it was discovered that the 8-storey portion of the building was downgraded to POOR. Working with a structural engineering team and peer review structural engineer, a repair has been devised to bring the structural rating of the building up to rating GOOD.

The structural remediation work will be integrated into existing project scope to minimize any impact to the overall schedule. The seismic correction to the tower will predominantly be addressed from the outside of the building with very modest impact on the aesthetics. UCOP has approached DOF seeking scope adjustment on the library project and an augmentation in State Funds to address the cost of the remediation project.

E. Update on Bioengineering Building Status

The Bioengineering Building has a request for \$25 million in State Funding, since the State has rejected the UC request for capital outlay for next year the project will be on hold pending future capital outlay allocation.

F. Student Engagement Center Information Item

The project is continuing to be refined and proponents are engaged in consultation with the Chancellor. The project will be brought back to the CPC next meeting.

V. INFORMATION & FOLLOW-UP ITEMS

Status Report: Special Projects Subcommittee

No report.

Status Report: Design Review Committee

The landscape subcommittee continues meeting. As the San Joaquin and Sierra Madre projects warm up the committee will be meeting to review designs.

Status Report: Faculty & Staff Housing

North Campus Phase I has sold 17 of 22 units; the eighteenth is currently in escrow. With 4 homes remaining and having gone through the entire wait list once the campus will go through the list once more before making the properties available to other faculty.

There was a fire at North Campus Housing Phase II, there has been a lot of vandalism recently. Security has been stepped up to prevent any further incidents.

KITP Residence is in the process of architect selection; as soon as a final decision is made the project will proceed into the DPP process after which it will come back to CPC for further review.

Status Report: Student Housing

San Joaquin has completed the first charrette. The second charrette will be conducted at the beginning of February. The project could be lower density than sought due to fault line issues. For Sierra Madre an architect has been engaged, the campus will begin moving forward with that project. Construction could begin as early spring 2013, with San Joaquin following the next year.

Status Report: Major Capital Projects

Report attached.

VI. CORRESPONDENCE

Meeting adjourned at 3:50 PM.

Minutes taken by Michael McGrogan, Office of Budget & Planning