

Campus Planning Committee
September 25, 2012 2:00-4:00 p.m.
Minutes

Members Present: Todd Lee, John Foran, Gene Lucas, Kum-Kum Bhavnani, Marc Fisher, Jan Frodesen, Melvin Oliver, Rod Alferness, Beverly Colgate, Michael Witherell, Michael Young, Richard Watts, Bruce Miller

Members Absent: Joel Michaelsen, Simonetta Falasca-Zamponi, Ron Cortez, Mario Galicia, Sophia Armen

Alternates Present: N/A

I. ANNOUNCEMENTS

Assistant Chancellor Lee gave a brief overview of the State Budget situation. Proposition 30, a Sales and Income Tax Increase Initiative on the November ballot will have an impact on higher education and University of California (UC). If approved state sales tax will increase and income tax will rise for the wealthier of Californian residents. If the ballot measure is not approved there will be a \$250 million budget cut to the UC. The UC Regents will meet and try to determine what the impacts will be and formulate plans to deal with the cut and funding shortfall. The field poll in July had 54% of voters deciding on YES with 8% undecided, the mid-September poll had 51% YES and 13% undecided.

The Davidson Library Addition and Renewal project received approval for interim financing by the Regents. The project could start construction in early spring 2013.

II. MINUTES

The minutes from June 26, 2012 were approved as written.

III. CONSENT AGENDA

A. Anacapa Residence Hall Fire Life Safety and Renewal Schematic Design

The committee by consensus recommends that the Chancellor approve the project and schematic design for Anacapa Residence Hall Fire Life Safety and Renewal. The project will upgrade fire and life safety systems, exterior windows, floor finishes, lighting, and window and wall coverings. The project also provides low voltage data/communication and cable TV wiring and kitchen upgrades.

IV. ACTION ITEMS

V. DISCUSSION ITEMS

A. CPC Review Process

Director Haines explained the capital projects review process. A capital project is construction of a building or facility, purchase of land or buildings or the renovation or improvement of existing buildings with the caveat that it extends the useful life or improves the function of the facility.

Minor capital project approval is required for projects costing between \$35,000 and \$750,000. Any project over \$750,000 is considered a major capital project. The Campus Planning Committee (CPC) focuses on major capital projects. The CPC is involved in the review and recommendation process. Other groups involved in this process include the Design Review Committee (DRC), which deliberates design issues and makes recommendations, and the Council on Planning and Budget (CPB), which recommends the priority of buildings. The CPC provides recommendations to the Chancellor for major capital projects. Approvals are by the Chancellor, and sometimes by the University of California Office of the President (UCOP) or the Regents of the University of California (Regents).

Every capital project has a management team that typically consists of a control point (Dean, Vice Chancellor etc.), a building committee, a project manager and an executive architect. The two units of the university that work on capital projects are Budget and Planning (B&P) and Campus Design and Facilities (CD&F). B&P manages predesign planning for major capital projects, manages building committee co-ordination, identifies funding sources, obtains necessary project approvals and manages real estate transactions. CD&F handles budget estimating for projects, architect and consultant selection process, design and construction of major and minor capital projects, and environmental analysis and regulatory reviews for projects.

Building committees are put in place to ensure that the planning and design is consistent with campus needs, they oversee the work of the executive architect and are appointed by the Chancellor, Executive Vice Chancellor (EVC) or Vice Chancellor control point of a particular area. The Chair is responsible for successful delivery of the project and the group meets throughout the design and working drawing phase to ensure the stated program is represented by the final project. The committee consists of a member from CPB, DRC, the Chancellors Committee on Sustainability, a Graduate Student Association representative, an Associated Students representative, and others.

The various phases of capital planning include: Initiation (Preliminary Project Proposal - PPP), review and approval (CPC), predesign studies (Detailed Project Program - DPP), review and approval (DRC & CPC), Schematic Design (SD), review and formal approval of project (DRC & CPC). The project will then progress into working drawings, construction and finally, occupancy.

To initiate a project a problem will first be identified, e.g. program growth or facility dilapidation etc. The control point would contact B&P; this is the official project start and how all major capital projects begin. B&P will help to formulate a solution and investigate options such as reuse or reallocation of space, renovation of existing space, off-site leases or construction. A Business Case Analysis (BCA) is a required document by UCOP for all major capital projects. The investigation of options informs the BCA and helps determine whether or not the project is feasible.

The control point and B&P work together to prepare a PPP. The PPP is reviewed over two CPC meetings, first as a discussion item and then as an action item. CPC will review and recommend to the Chancellor that the project enter the predesign studies (DPP) phase. The DPP identifies project objectives and scope, site and issues that may impact budget or feasibility and provides

estimated cost. The DPP is managed by B&P, in close consultation with CD&F, Environmental Health & Safety (EH&S) and others. External consultants are typically hired to complete the DPP process. The DPP is reviewed over one DRC meeting, then over two meetings by CPC. The committee reviews and recommends to the Chancellor approval into SD. The SD phase ensures the building achieves objectives, matches design with site and reconciles the estimate to budget. This phase is managed by CD&F in consultation with B&P, EH&S and others. SD is approved by the DRC and then reviewed and recommended to the Chancellor over two CPC meetings. This is the final action of the CPC and signifies the beginning of the formal project approval.

Depending on the budget and funding source there are different ways a project may be approved. Under \$5 million the Chancellor can approve the project outright. The Chancellor, under delegated authority, can approve a project if it is non-state funded, under \$60 million and included in the Consolidated Financial Plan (CFP). If external financing is required it is necessary to involve UCOP for approvals for debt. If a project is less than \$10 million and not in the CFP, the UC President has authority up to \$10 million to approve. Less than \$20 million, the President can approve projects with consent from the Chair of Regents and Chair of Grounds and Building Committee. The Regents approve all state funded projects, and all non-state over \$60 million, all non-state projects not included in CFP, and high interest projects.

The working drawing phase documents all project specifications so a contractor can successfully bid and construct a project. The construction phase is the contractor building the project. The campus has a change order policy which means if it is determined there is more money available or there is a desire to change scope, a change order can be processed to add or change scope, these are approved by the EVC's office. Once the project is completed the building can be occupied. More information on the CPC Review Process can be found here:

<http://bap.ucsb.edu/capital.development/cpc/planningcommittee.html>

B. Debt Affordability Model

UCOP implemented the Debt Affordability Model concurrent with 10-year CFP (Item C below) to ensure the campus plans debt wisely while considering the impact of projects as they move forward for approval.

Campus debt is money borrowed to pay for construction and is mostly funded by general revenue bonds, i.e. campus revenues are pledged to pay the principle and interest (P&I). Debt capacity is the level of debt an institution can incur at a particular credit rating level. The UC targets an 'AA' rating and provides a series of metrics to achieve this rating (listed below).

The debt affordability test has to prove that debt service to operations is 6.0% or lower and satisfy coverage *or* expendable assets metrics. In 2010-11 the campus debt service to operations ratio was 5.1%. Debt coverage is a ratio of net revenues in excess of debt service and should be greater than 1.75, current campus coverage is 2.86. Expendable Resource to Debt must be higher than 100%, the campus is at 55%. For the debt affordability test the campus currently satisfies debt service to operations ratio and debt coverage ratio.

Projects are modeled at a 30-year debt with a 6% planning rate. The model is a conservative estimating tool which allows headroom if interest rates go up and is intended to identify the

poorest performing year in 10-year window. Each externally financed project approval requires a debt affordability model analysis. The model needs updated after every approval and new projects cannot be approved if the metrics are exceeded. Director Haines detailed the several projects in the model. More information can be found here:

<http://bap.ucsb.edu/capital.development/cpc/cpcpresentations.html>

C. 10-year Consolidated Financial Plan update

The CFP is a 10-year projection of campus capital needs informed through consultation with CPB and CPC. Lately the capital budget landscape has been bleak with problems stemming mostly from lack of state funding. The CFP combines state funded and non-state funded projects, and is submitted to Regents every November. It is utilized for Chancellor's delegated authority to approve projects (<\$60 million non-state funded). The State of California Department of Finance has not accepted any requests for capital outlay in the current and future budget years. The campus is waiting for a better year but for at least 2 years there is no capital outlay identified in the State of California Budget.

State funded projects are now identified as state eligible (SE) in the CFP. State eligible projects are not included in debt affordability model as anticipated funding comes from the State. If the ballot in November does not get approved by voters the campus will be revisiting this topic. Director Haines detailed several SE, gift funded and Non-State projects identified in the CFP. More details here: <http://bap.ucsb.edu/capital.development/cpc/cpcpresentations.html>

D. Sierra Madre Apartments SD Budget Approval

The project is located on Storke Road and provides 151 apartments, 115 for undergraduate student housing and 36 available for rent by faculty and staff. A community building in the middle of the site will provide meeting spaces, convenience store and gym, and will create a social center of the complex. The architectural designs have been reviewed and approved by DRC, the architect was instructed to design to UCSB Contextual style similar to Manzanita Village.

The project was originally planned to be delivered by a 3rd party developer. It was taken through Regents, CCC and CEQA and is fully entitled. The project has come back to campus delivery and requires project and budget approval. The project will go to the Regents again in January for approval as it is budgeted at \$80 million. Sierra Madre is set to enter construction next spring, ideally with completion by spring 2014 and occupancy in fall 2014. The project will ease the issue of students in triples and accommodate projected growth in the next few years. Sierra Madre Apartments will come back to CPC next month as an Action Item.

INFORMATION & FOLLOW-UP ITEMS

Status Report: Special Projects Subcommittee

No report.

Status Report: Design Review Committee

Sierra Madre Apartments project was approved by DRC. The committee will be meeting for San Joaquin Apartments DPP concept plan in the coming months.

Status Report: Faculty & Staff Housing

Phase II of North Campus Housing has 37 units under construction. The units are expected to be for sale or reservation in spring 2013 with late summer, early fall move-ins. Some West Campus Housing units the university owns are being sold. A waiting list is being worked through for 5 units.

Status Report: Student Housing

Santa Rosa Fire Life Safety and Renewal and Santa Ynez and El Dorado Apartments refurbishments were completed over the summer in time for student move-in.

Status Report: Major Capital Projects

Report attached.

VII. CORRESPONDENCE

Meeting adjourned at 3:15 pm.

Minutes taken by Michael McGrogan, Office of Budget & Planning