

AGENDA

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

Meeting: 11:15 a.m., Tuesday, March 20, 2012
Glenn S. Dumke Auditorium

Bob Linscheid, Chair
Linda A. Lang, Vice Chair
Carol R. Chandler
Margaret Fortune
William Hauck
Peter G. Mehas
Lou Monville
Glen O. Toney

Consent Items

Approval of Minutes of Meeting of January 24, 2012

1. Amend the 2011-2012 Capital Outlay Program, Non-State Funded, *Action*

Discussion Items

2. Status Report on the 2012-2013 State Funded Capital Outlay Program, *Information*

**MINUTES OF MEETING OF
COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, California**

January 24, 2012

Members Present

Bob Linscheid, Chair
Linda A. Lang, Vice Chair
Herbert L. Carter, Chair of the Board
Carol R. Chandler
Margaret Fortune
William Hauck
Lou Monville
Charles B. Reed, Chancellor
Glen O. Toney

Approval of Minutes

The minutes of the November 15, 2011 meeting were approved as submitted.

Amend the 2011-2012 Capital Outlay Program, Non-State Funded

With the concurrence of the committee, Trustee Linscheid presented agenda item 1 as a consent action item. The committee recommended approval by the board of the proposed resolution (RCPBG 01-12-01).

Status Report on the 2012-2013 State Funded Capital Outlay Program—Governor's Budget

With the use of a handout, Assistant Vice Chancellor Elvyra F. San Juan presented a status report on the 2012-2013 State Funded Capital Outlay Program. The governor's budget for capital outlay supports only equipment funding of \$5.5 million from old general obligation (GO) bond funds for three projects as compared to the trustees' request of \$529 million. All three projects have been funded for construction: Classroom and Faculty Office Renovation and Addition at CSU Channel Islands, Storm/Nasatir Halls Renovation at San Diego State, and Science I Renovation (Seismic) at CSU Stanislaus.

In the absence of capital funding and GO bond funds, the CSU submitted hazard mitigation grant applications for ten projects to the Federal Emergency Management Agency (FEMA). The CSU asked the Department of Finance to reconsider funding these projects during the May Revise and proposed the use of \$15 million in remaining GO bond funding as CSU's 25 percent matching funds for the FEMA grant, and if the FEMA grant applications did not succeed, the flexibility to use those GO bond funds to fund systemwide infrastructure improvement projects.

The governor's budget proposes to make an accounting change to move the annual general obligation bond debt as part of the CSU state appropriation. Ms. San Juan presented graphs depicting the varying annual payment from 2012-13 to 2040-41 for general obligation bonds and lease revenue bonds that have been sold, and those projected to be sold in the future for projects previously approved by the legislature.

Approval of Schematic Plans

The proposed item on the agenda requests the approval of schematic plans for San José State University—Spartan Complex Renovation (Seismic). With an audio-visual presentation, Ms. San Juan presented the item. All CEQA requirements for the project have been completed and staff recommends approval.

The committee recommended approval by the board of the proposed resolution (RCPBG 01-12-02).

Trustee Linscheid adjourned the meeting.

COMMITTEE ON CAMPUS PLANNING, BUILDING AND GROUNDS

Amend the 2011-2012 Capital Outlay Program, Non-State Funded

Presentation by

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Summary

This item requests approval to amend the 2011-2012 non-state funded capital outlay program to include the following four projects:

1. California State University, Monterey Bay

The Tanimura & Antle Family Memorial Library	PWC	\$2,938,000
---	------------	--------------------

California State University, Monterey Bay wishes to proceed with the design and construction to complete the build out of the third floor area within the Tanimura & Antle Family Memorial Library (#508). This existing 136,150 GSF three-story building was occupied in early 2009, but the eastern wing of the third floor was shelled and not finished due to construction cost increases at the time. This project will improve approximately 17,700 GSF with utilities and room finishes which will provide for reading and seating areas, group study rooms, and stack space, as well as 12 student advising offices with additional space for mentoring, consultation, resume writing, and job searching.

The project will be funded by the University Corporation Operating Fund. The Corporation is funding the third floor improvements based on available net revenues from faculty/staff housing operations in order to support campus growth and quality programs.

2. San José State University

Moss Landing Marine Laboratories Aquaculture Lab	PWC	\$1,216,000
---	------------	--------------------

San José State University wishes to proceed with the design and construction of a new Aquaculture Lab building and area for seawater tanks on a 2.3-acre site at Moss Landing Marine Laboratories, replacing buildings which were damaged by the 1989 Loma Prieta earthquake and subsequently demolished.

The Aquaculture Lab building (1,645 GSF) will house laboratory space, a dark room, an office, a lobby and support areas. The seawater tank area (1,581 GSF) will support the research and

teaching curriculum. The new building will be strategically located next to the existing pump house which draws seawater for the laboratory and the area for seawater tanks. Completion of this project will improve the Moss Landing Marine Laboratory's ability to support research for ocean sciences studies.

This project is funded entirely through the San José State University Research Foundation.

3. California State University, San Marcos
Student Health and Counseling Services Building **PWCE** **\$9,936,000**

California State University, San Marcos wishes to proceed with the design and construction of the Student Health and Counseling Services Building (#21). Student health services were originally located on campus in the first floor of the main administration building, Craven Hall. These services moved off campus in January 1997 due to space constraints and are now located in leased space on the corner of Twin Oaks Valley Road and Craven Drive. Rather than extend a lease that will expire in 2015, the campus proposes to build a facility in a location on campus near the hub of student activity.

The proposed two-story building (17,000 GSF) will be located next to the new parking structure (#103) and across the street from University Village Apartments (#38) and the future university student union (#25). The project scope includes examination rooms, medical offices, and counseling spaces. This will be a permanent campus building which will also allow for a future expansion.

This project has multiple funding sources. The CSU Systemwide Revenue Bond program will finance \$5,017,000, whereby the bonds will be repaid from student health fees; \$4,000,000 will be funded from the Health Facility Trust Fund; Preconstruction services and Group II equipment will be funded from campus health center reserves of \$919,000.

4. California State University, Stanislaus
Parking Lot 2 Renovation **PWC** **\$916,000**

California State University, Stanislaus wishes to proceed with the design and construction of Parking Lot 2 Renovation. The lot was constructed in 1971 and has overgrown trees in the center islands whose root systems have lifted the curbing and asphalt pavement beyond a point of repair.

The proposed project will maintain the current number of spaces (250) while renovating the existing lot by removing trees, replacing asphalt and concrete, upgrading parking, and providing more appropriate plantings. The scope will include energy efficient lighting and an emergency telephone.

The project will be funded from parking reserves.

The following resolution is presented for approval:

RESOLVED, by the Board of Trustees of the California State University, that the 2011-2012 non-state funded capital outlay program is amended to include: 1) \$2,938,000 for preliminary plans, working drawings, and construction for the California State University, Monterey Bay, Tanimura & Antle Family Memorial Library project; 2) \$1,216,000 for preliminary plans, working drawings, and construction for the San José State University, Moss Landing Marine Laboratories Aquaculture Lab project; 3) \$9,936,000 for preliminary plans, working drawings, construction, and equipment for the California State University, San Marcos, Student Health and Counseling Services Building project; and (4) \$916,000 for preliminary plans, working drawings, and construction for the California State University, Stanislaus Parking Lot 2 Renovation project.

COMMITTEE ON CAMPUS PLANNING, BUILDINGS AND GROUNDS

Status Report on the 2012-2013 State Funded Capital Outlay Program

Presentation By

Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Summary

This item presents an update on the current status of the CSU's 2012-2013 state funded capital outlay program request.

Trustees' Request

The California State University's proposed state funded 2012-2013 capital outlay program was presented at the September 2011 Board of Trustees' meeting. The trustees approved the entire state funded priority list (34 projects) of \$529 million. Of the \$529 million amount, program documentation for 18 projects totaling \$448.4 million, including seismic safety, renovation, new capacity, and equipment projects were submitted to the Department of Finance. The trustees were asked to approve the program even though program funding is uncertain and relies upon the governor's and legislature's approval of lease revenue bond financing, lease asset transfer financing, and the use of remaining general obligation bond funds.

Governor's Budget

The governor's January budget proposed the use of \$5.5 million of remaining general obligation bonds to fund three projects included in the CSU Capital Outlay program:

Campus	Project	Phase	Amount
Channel Islands	Classroom and Faculty Office Renovation/Addition	E	\$1,209,000
San Diego	Storm/Nasatir Halls Renovation	E	\$2,583,000
Stanislaus	Science I Renovation (Seismic)	E	\$1,757,000
Total			\$5,549,000

The governor also proposed a change to the CSU support budget under the description "Fiscal Incentives," whereby the current practice of the state to separately budget and annually adjust the debt service for general obligation and lease revenue bond financing for CSU capital improvement projects would change and no longer be budgeted separately. The governor proposes to fold these appropriations into CSU's budget to provide a fiscal incentive to factor these costs into the CSU's fiscal outlook and decision-making process.

Key elements include:

- All debt funding for 2012-13 included in CSU base appropriation
- Funding for debt service would be prioritized for payment
- No future adjustments to account for variations in annual debt service
- Base support appropriations proposed to increase by four percent annually from 2013-14 through 2015-16
- No proposed changes to state review process for capital outlay projects

Legislative Analyst's Office

The Legislative Analyst's Office (LAO) has taken no position on the three projects included in the governor's proposed capital program for the CSU. However, the LAO's report, *The 2012-13 Budget: Analysis of the Governor's Higher Education Proposal*, recommends rejecting the governor's proposal based on the following findings:

- ***Proposed Change to Treatment of Bond Debt Payments Skews Comparisons with Prior Years.*** The proposal moves general obligation bond debt payments into the CSU's base budget. Without this accounting change, the \$770.2 million budget reduction¹ for the CSU would be higher by \$189.8 million to a total \$960 million reduction, or a 32 percent reduction when comparing 2007-08 to 2012-13.
- ***Proposed Fiscal Incentive*** by funding capital debt service and operating costs from a single appropriation attempts to create an incentive to better prioritize and limit capital projects. A dollar from the CSU's base budget that is spent on debt service would be one dollar less to spend on instructional operations, student services and programs.
- ***Future Fiscal Implications to CSU Uncertain*** as the annual debt service payments vary by year and have increased an average of nine percent per year since 2002-03. The governor's proposal would not account for the annual payment changes as the amount to be shifted is the debt service payment scheduled for fiscal year 2012-13.
- ***Shifting Funding Transfers Budget Control to CSU.*** The LAO asserts the governor's proposal would relinquish the legislature's control over the CSU budget as the legislature would no longer be responsible for allocating funding for support operations and student services versus infrastructure debt service.

¹ Legislative Analyst's Office, *The 2012-13 Budget: Analysis of the Governor's Higher Education Proposal*, page 8, Figure 3, Higher Education General Fund Support

CSU Review of Governor’s Proposed Fiscal Incentive and Debt Service Shift

The governor’s proposal prompts the following questions:

- If every dollar spent on capital outlay is one less dollar spent on instruction, student services and operational support, how could that impact the decisions of the university?
- Is the four percent block funding sufficient to cover existing bonds and payments for appropriated projects that have not been sold?
- What is the impact to future capital financing?
- What flexibility and authority does the CSU need to better manage capital financing for academic and instructional support facilities?

The issues are complex and multifaceted as the capital outlay program does not just build new buildings to increase capacity and enable more students to attend. Since 2001, roughly 70 percent of the capital program dollars were re-invested into existing buildings and infrastructure, or used to replace facilities too costly to renovate to address deficiencies in delivering the academic program. The high amount of re-investment into existing buildings occurred even with the development of campuses at CSU Monterey Bay, CSU Channel Islands, and accommodating continued growth at CSU San Bernardino and CSU San Marcos. A campus working group has been identified to work with the Chancellor’s Office to address some of the questions noted above and to consider the total cost of instruction that would include capital facilities needs, like capital renewal, access compliance, seismic strengthening, renovations and new construction.

With regard to the adequacy of the proposed four percent per year block funding, Table 1 provides a summary for existing and planned capital debt financing (projects appropriated but for which bonds have not yet been sold). The estimated general obligation and lease revenue bond debt will total \$6.8 billion once the sale of bonds for legislatively approved projects is completed.

Table 1. Summary of Existing and Planned State Funded Bond Debt

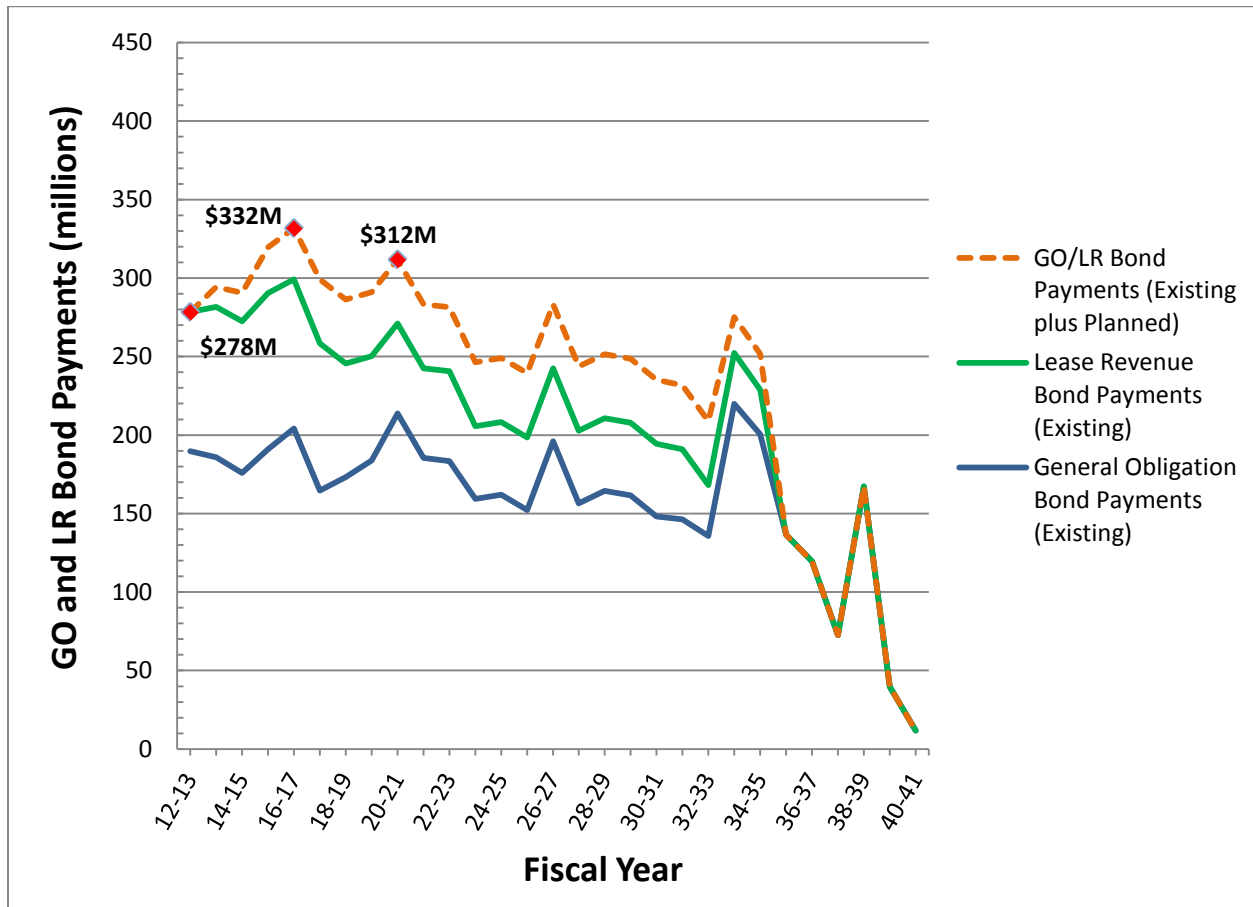
Bond Type	Outstanding Debt	2012-13 Payment	Highest Annual Payment
1. General Obligation (existing)	\$4.6 billion	\$189.8 million	\$219.8 million
2. Lease Revenue (existing)	\$1.4 billion	\$88.6 million	\$99.6 million
3. <i>General Obligation and Lease Revenue (planned increase for appropriated projects)</i>	<i>\$0.8 billion</i>	<i>\$0.0 million</i>	<i>\$40.8 million</i>
Total	\$6.8 billion	\$278.4 million	

Figure 1 displays the annual general obligation bond and lease revenue bond debt payments to provide the board the magnitude of the debt and expected annual fluctuations in payment amounts based on bonds sold to date and approved by the legislature for future sale.

Table 1 shows the gross annual payment for existing bonds is \$278 million for 2012-13. In Figure 1, the projected highest annual payment is estimated at \$332 million. This is an increase of \$54 million compared to the estimated 2012-13 payment of \$278 million or a 19.4 percent increase based on projects approved by the legislature but for which bonds have not been sold.

The working group will also consider the impact on the future capital program assuming approval of the governor’s proposal. This would include review of existing authority for issuing debt as a follow-up on the LAO’s observation that the University of California appears to have unique authority to issue bonds for academic buildings and support infrastructure.

Figure 1. Stacked Graph of Existing and Planned General Obligation and Lease Revenue Bond Debt Payments



One improvement, for example, would re-establish a structure to allow interim financing while awaiting a bond sale. The state suspended the use of the Pooled Money Investment Account in December 2008 and has not re-instated its use. The lack of such a structure has caused the CSU to halt progress on projects for more than a year and not be able to award construction projects that had come in more than 25 percent below budget. If given the responsibility for the debt, the CSU should seek improvements just as we have done over time to establish and improve the Systemwide Revenue Bond program used for non-state appropriated projects.

In light of the significant funding needed to address existing campus deficiencies, like the \$1.6 billion backlog of capital renewal needs, Figure 2 shows the increase in estimated debt payments to finance four years of \$400 million per year in project costs starting in 2013-14. The annual payment increase is roughly \$32 million per year for each of the four years. In this example, the 2020-21 annual payment would increase from \$312 million to roughly \$440 million, an increase of \$128 million.

Figure 2. Stacked Graph of Existing, Planned and Future Debt Payments to fund \$1.6 Billion over Four Years

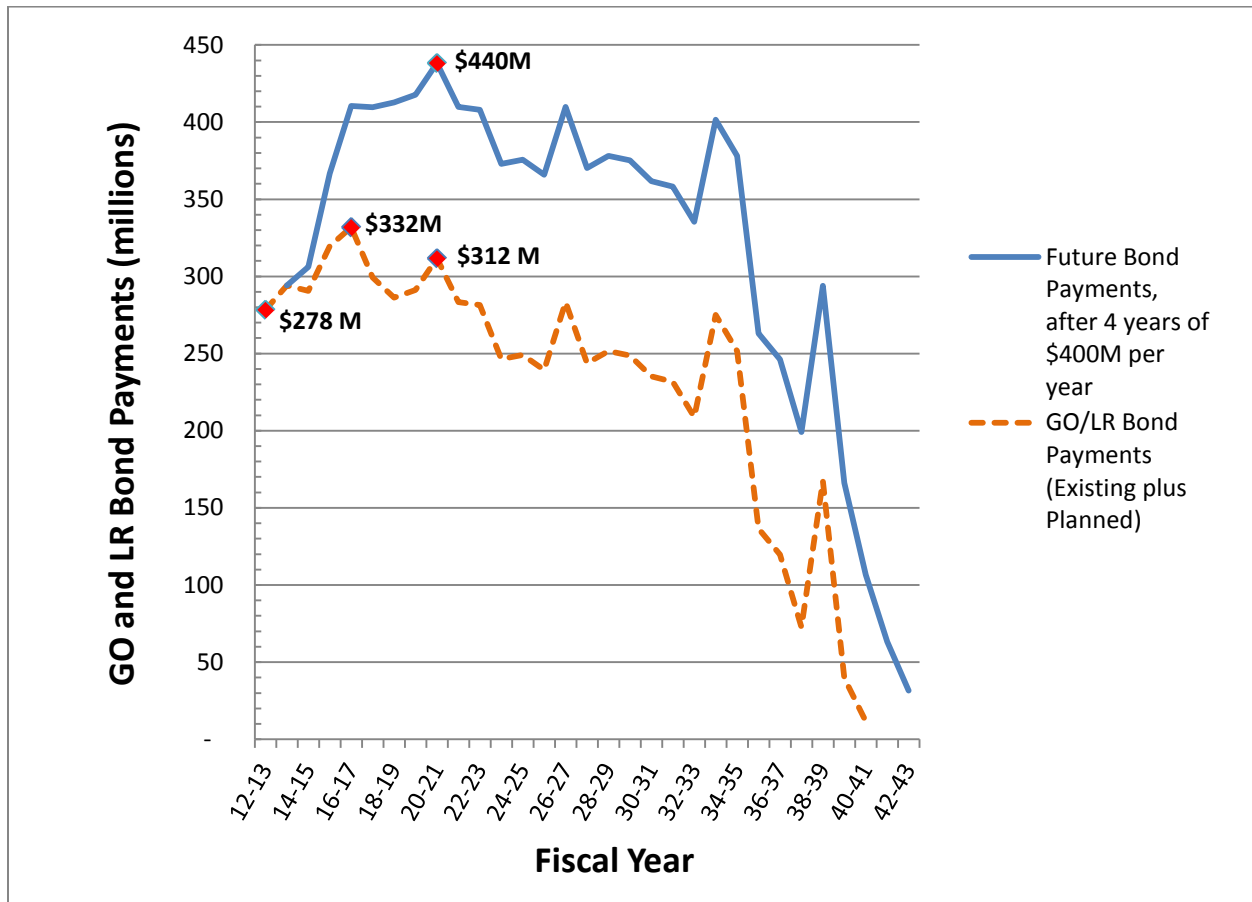
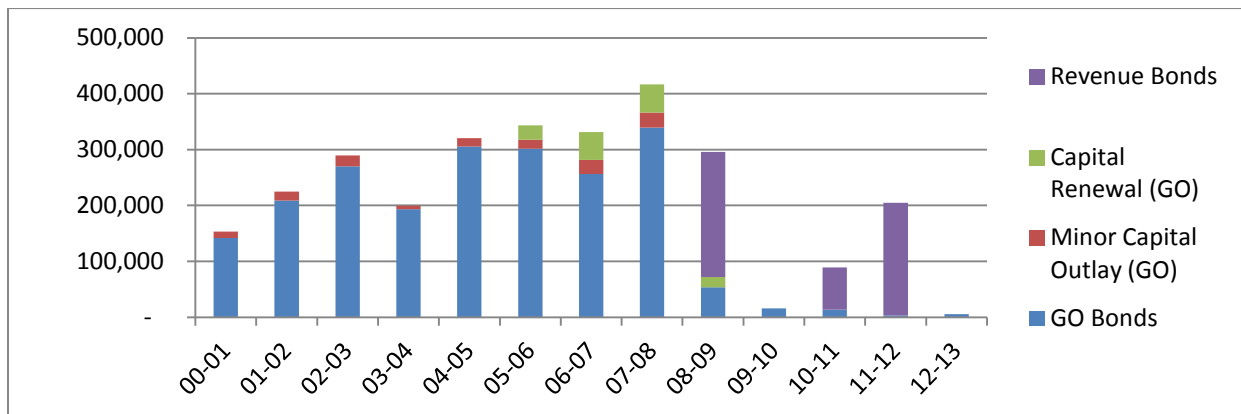


Figure 2 can be used to discuss the governor’s proposal in a scenario that future capital projects of \$400 million per year for four years are approved for bond financing by the legislature; this is essentially the level that Department of Finance agreed was needed by the CSU in the 2009/10 Governor’s Budget.

Figure 3, shows the reduction in capital program funding from 2000 to 2012 along with the change in the type of funding from general obligation bonds to lease revenue bonds.

Figure 3. Summary of State Capital Appropriations, 2000-01 thru 2012-13 Governor’s Budget (in thousands)



The campus facility needs summarized from the 2012-13 Five-Year Capital Improvement Program approaches \$6 billion. That amount of “need” is artificially depressed as the criteria used by the trustees for priority setting limits campuses to one project in the action year. This criteria was established as the board recognizes that there is limited funding available to fund all the campuses deficiencies.

In the scenario that the trustees continued with the planned debt for approved appropriations and pursued additional capital financing that increased debt payments from \$278 million in 2012-13 to \$440 million in 2020-21, the block funding approach would not be adequate to fund operational needs in addition to capital renewal, seismic strengthening and building renovation needs. The cost to afford the additional debt is estimated at \$485 per FTE (resident and nonresident). This would fund the planned bond sales already approved by the legislature, along with \$1.6 billion in debt (\$400 million per year for 4 years) to address the trustees capital priorities. Given the limited block funding and constraints on fee increases, options for additional flexibility to fund infrastructure renewal, seismic strengthening and other priority capital needs are being considered as part of the staff response to the board’s concern to the growing \$1.6 billion capital renewal backlog.