

Approved

COMMITTEE ON FINANCE
November 20, 2008

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

1. **AUTHORIZATION OF LEASES AND AGREEMENTS FOR VARIOUS STATE CAPITAL IMPROVEMENT PROGRAMS**

The Committee recommends that, subject to adoption by the State Public Works Board of a resolution authorizing the issuance of State Public Works Board (SPWB) Lease Revenue Bonds and authorizing interim loans from the State's Pooled Money Investment Account or General Fund for the following projects:

Berkeley campus

Biomedical and Health Sciences Building

Davis campus

Veterinary Medicine 3B

California Animal Health and Food Safety Laboratory, Tulare/Fresno

Los Angeles campus

Hershey Hall Seismic Renovation

Riverside campus

Environmental Health and Safety Expansion

San Diego campus

Management School Facility Phase 2

Santa Barbara campus

Arts Building Seismic Corrections and Renewal

A. The President or the Secretary and Chief of Staff be authorized to:

(1) Execute an unsubordinated site lease from The Regents to the SPWB for each project named above, said lease to contain provisions substantially as follows:

a. The site shall comprise the approximate size of the footprint for each building named above. Said lease shall also include a license

- to the SPWB for access from campus roads to the site during the term of the lease.
- b. The purpose of the lease shall be to permit construction of the project.
 - c. The term of the site lease shall commence on recordation of the lease or the first day of the month following the meeting of the SPWB at which the resolution is adopted authorizing the lease, the issuance of bonds, and interim financing for the project, whichever is earlier, and shall terminate on the date the bonds issued by the SPWB are paid in full, subject to earlier termination if such bonds have been retired in full.
 - d. The rental shall be \$1 per year.
 - e. The Regents shall have power to terminate the site lease in the event of default by the SPWB, except when such termination would affect or impair any assignment or sublease by the SPWB and such assignee or subtenant is duly performing the terms and conditions of the lease.
 - f. The Regents shall provide to the SPWB and any assignee of the SPWB access to the site and such parking and utility services as are provided for similar facilities on the campus.
 - g. The Regents shall waive personal or individual liability of any member, officer, agent, or employee of the SPWB.
 - h. The Regents shall agree to pay assessments or taxes, if any, levied on the site or improvements attributable to periods of occupancy by The Regents.
 - i. In the event any part of the site or improvements is taken by eminent domain, The Regents recognizes the right of the SPWB to retain condemnation proceeds sufficient to pay any outstanding indebtedness incurred for the construction of the project.
- (2) Execute an agreement between the State of California, as represented by the SPWB, and The Regents for each project named above, said agreements to contain the following provisions:
- a. The SPWB agrees to finance construction for the project, as authorized by statute.

- b. The Regents agrees to provide and perform all activities required to plan and construct said project.
- (3) Execute a facility lease from the SPWB to The Regents for each project named above, said leases to contain provisions substantially as follows:
- a. The purpose of the building's occupancy shall be to use it as a facility for research and support-related functions in furtherance of the University's mission related to instruction, research, and public service.
 - b. The SPWB shall lease the State-financed portion of the facility, including the site, to The Regents pursuant to a facility lease.
 - c. The terms of the facility lease shall commence on recordation of the lease or the first day of the month following the meeting of the SPWB at which the resolution is adopted authorizing the lease, the issuance of bonds, and interim financing for the project, whichever is earlier, and shall terminate on the date the bonds issued by the SPWB are paid in full, subject to earlier termination if such bonds have been retired in full.
 - d. If the SPWB cannot deliver possession to The Regents at the time contemplated in the lease, the lease shall not be void nor shall the SPWB be liable for damages, but the rental payment shall be abated proportionately to the construction cost of the parts of the facility not yet delivered.
 - e. In consideration for occupancy during the term of the lease and after the date upon which The Regents takes possession of the facility, The Regents shall pay base rent in an annual amount sufficient to pay debt service on the bonds or other obligations of the SPWB issued to finance or refinance the facility and additional rent for payment of all administrative costs of the SPWB.
 - f. The Regents covenants to take such actions as may be necessary to include in the University's annual budget amounts sufficient to make rental payments and to make the necessary annual allocations.
 - g. During occupancy, The Regents shall maintain the facility and pay for all utility costs and shall maintain fire and extended coverage insurance at then current replacement cost or an equivalent program of self-insurance, and earthquake insurance if available on the open market at a reasonable cost.

- h. During occupancy, the Regents shall maintain public liability and property damage insurance, or an equivalent program of self-insurance, on the facility and shall maintain rental interruption or use and occupancy insurance, or an equivalent program of self insurance.
- i. In the event of default by The Regents, the SPWB may maintain the lease whether or not The Regents abandons the facility and shall have the right to relet the facility, or the SPWB may terminate the lease and recover any damages available at law.
- j. The Regents shall be in default if the lease is assigned, sublet, or transferred without approval of the SPWB, if The Regents files any petition or institutes any proceedings for bankruptcy, or if The Regents abandons the facility.
- k. The Regents shall cure any mechanics' or materialmen or other liens against the facility and, to the extent permitted by law, shall indemnify the SPWB in that respect.
- l. The Regents, to the extent permitted by law, shall indemnify the SPWB from any claims for death, injury, or damage to persons or property in or around the facility.
- m. Upon termination or expiration of the lease, other than for breach or because of eminent domain, title to the facility shall vest in The Regents.

2. **UNIVERSITY OF CALIFORNIA FINANCIAL REPORTS, 2008**

The Committee recommends that the Regents adopt the University of California Annual Financial Report 2007-2008 and the June 30, 2008 audited financial statements for the University of California Retirement Plan, including the PERS-VERIP; the University of California Retirement Savings Program, including the Defined Contribution, 403(b) and 457(b) Plans; and the University of California Health and Welfare Program, including the retiree health benefit trust and the five University of California Medical Centers.

3. **APPROVAL OF UNIVERSITY OF CALIFORNIA 2009-10 BUDGETS FOR CURRENT OPERATIONS AND FOR STATE CAPITAL IMPROVEMENTS**

- A. The Committee recommends that the expenditure plan included in the document, *2009-10 Budget for Current Operations*, be approved as proposed by the Office of the President, with the exception of the following:
 - (1) that revenues and expenditures be reduced to reflect appropriate amounts for endowment earnings and for private gifts;

- (2) the budget be revised to reflect a request for additional State General Funds to avoid increases in student fees. The State is advised that, absent these additional funds, student fee increases will be required; and
- (3) in the event the University does not receive the funding being requested, it is the direction of the Board to curtail freshman enrollment.

B. The Committee concurs with the recommendation of the Committee on Grounds and Buildings that the *2009-2010 Budget for State Capital Improvements* be approved.

4. **AMENDMENT TO AUTHORIZATION FOR APPROVAL OF APPROPRIATIONS FROM LOS ALAMOS NATIONAL SECURITY LLC AND LAWRENCE LIVERMORE NATIONAL SECURITY LLC FEE INCOME TO BE EXPENDED IN FISCAL YEAR 2008-2009**

The Committee recommends that the authorization for approval of appropriations from Los Alamos National Security (LANS) LLC and Lawrence Livermore National Security (LLNS) fee income to be expended in FY 2008-2009 be amended as follows:

Additions shown by underscoring, deletions shown by strikeout:

- The President be authorized to expend, for the following purposes and in the following amounts, from the University's net share of LANS and LLNS LLC income earned between September 30, 2007 and December 31, 2008:
 - Supplemental compensation and other payments (including accruals) approved by the Regents for certain LANS LLC and LLNS LLC employees, from July 1, 2008 through June 30, 2009 – \$ 2.2 million.
 - An appropriation to the Office of the President budget for federally unreimbursed costs of University oversight of its interest in LANS LLC and LLNS LLC, paid or accrued July 1, 2008 through June 30, 2009, including but not limited to an allocable share of the costs of the Regents, Research Security Office, Human Resources, Finance, Compliance and Audit, Strategic Communications, Governmental Affairs, the General Counsel, the University appointed Governors on the LLCs, and the Vice President for Laboratory Management – \$~~3.6~~ 4.3 4.05 million.
 - An appropriation in 2008-09 to a post-contract contingency fund – \$1.3 million.
 - An appropriation for research funding in accordance with the Laboratory Fees Research Program process –

Estimated Funds Available

Estimated Net FY 2008 LLC Management Fee	\$21.2M 21.45 M
Carryover from 2007-2008 Program	4.0 M 4.0 M
Total	\$25.2 M 25.45 M

Recommended Allocation

2008-2009 Program New Starts	\$19.4M \$19.4M
Continuation from 2007-2008 Program	
UCD-LLNL Biophotonics Center	0.3M 0.3M
UC-LANL Institutes	2.5M 2.5M
Contingency	3.0M 3.25M
Total	\$25.2M 25.45M

5. **AUTHORIZATION FOR BORROWING FROM COMBINED INVESTMENT PORTFOLIOS OF THE SHORT-TERM INVESTMENT POOL AND THE TOTAL RETURN INVESTMENT POOL**

The Committee recommends that the Regents authorize allocations of funds from the combined Short-Term Investment Pool (STIP) and the Total Return Investment Pool (TRIP) investment portfolios for up to 40 percent of the combined outstanding balances for liquidity support for the Commercial Paper (CP) Program, Medical Center working capital needs and for the University of California Mortgage Origination Program (MOP). Given the fluidity of these needs, the limitations for the CP Program, Medical Center working capital and MOP would be determined by the President in accordance with Regental policy on a quarterly basis subject to outstanding STIP/TRIP balances and projected utilization. In addition, each specific use would be modified as follows with the understanding that all other actions related to the July 2008 authorization for the increase of the CP program and all other guidelines and parameters related to the Medical Center working capital and MOP remain unchanged:

Deletions shown by ~~strikeout~~, additions by underlining

- A. For the Commercial Paper Program
- (1) That the President be authorized to either utilize ~~legally available cash balances in the unrestricted portion~~ a portion of the combined investment portfolios of STIP/TRIP as liquidity support for the CP Program or, if determined necessary by the President, negotiate a standby letter of credit, line of credit or other liquidity agreement provided that repayment of any advances shall be provided from previously approved sources.
- B. For Medical Centers' Working Capital Borrowing:
- (1) That the President be authorized to utilize the combined investment portfolios of STIP/TRIP for medical centers' working capital borrowings.

A hospital's working capital borrowings from STIP/TRIP for a month shall not exceed 60 percent of the hospital's total accounts receivable for that same month (total accounts receivable being defined as patient accounts receivable, net of allowances). ~~plus intergovernmental transfers under SB 855, SB 1255, and Medical-Cal Medical Education programs);~~ and

- ~~(2) The total working capital borrowing for the medical centers shall not exceed 15 percent of legally available cash balances of the unrestricted portion of STIP.~~

C. For Mortgage Origination Program (MOP) Loans:

- (1) That the President be authorized to utilize the liquidity available in the combined investment portfolios of STIP/TRIP for the Mortgage Origination Program (MOP) Loans. ~~The allocations shall be at levels determined to insure that the aggregate outstanding balance of the loan portfolio does not exceed 25 percent of the legally available cash balances of the unrestricted portion of STIP.~~