

AGENDA

COMMITTEE ON FINANCE

Meeting: 2:30 p.m., Tuesday, May 11, 1999
Glenn S. Dumke Conference Center

Anthony M. Vitti, Chair
Laurence K. Gould, Jr., Vice Chair
William D. Campbell
Martha C. Fallgatter
Harold Goldwhite
Eric C. Mitchell
Joan Otomo-Corgel
Frederick W. Pierce IV
Ali C. Razi
Michael D. Stennis
Stanley T. Wang

Consent Items

Approval of Minutes of Meeting of March 16, 1999

Discussion Items

1. Status Report on the 1999/2000 Support Budget, *Information*
2. Private Sector Participation in the Development of a 10-Acre Parcel at California State University, Monterey Bay, *Action*
3. Public Sector Participation in the Development of a California Regional Forensic Science Facility at California State University, Los Angeles, *Action*
4. Public Sector Participation in the Development of a Department of Justice Crime Laboratory at California State University, Fresno, *Action*
5. Private Sector Participation in the Development of a 150-Acre Vineyard at California Polytechnic State University, San Luis Obispo, *Action*

**MINUTES OF MEETING OF
COMMITTEE ON FINANCE**

**Trustees of The California State University
Glenn S. Dumke Conference Center
400 Golden Shore
Long Beach, California**

March 16, 1999

Members Present

Laurence K. Gould, Jr., Vice Chair
William D. Campbell
Delaine Eastin, State Superintendent of Public Instruction, ex officio
Martha C. Fallgatter
Harold Goldwhite
William Hauck, Chairman of the Board, ex officio
Eric C. Mitchell
Joan Otomo-Corgel
Frederick W. Pierce IV
Ali C. Razi
Charles B. Reed, Chancellor, ex officio
Michael D. Stennis
Antonio Villaraigosa, Speaker of the Assembly, ex officio
Stanley T. Wang

Members Absent

Anthony M. Vitti, Chair

Other Trustees Present

Ralph R. Pesqueira

Chancellor's Office Staff

David S. Spence, Executive Vice Chancellor and Chief Academic Officer
Richard P. West, Executive Vice Chancellor and Chief Financial Officer
Douglas X. Patiño, Vice Chancellor, University Advancement
Christine Helwick, General Counsel
Samuel A. Strafaci, Interim Senior Director, Human Resources

Presidential Liaisons

Ruben Armiñana, President, Sonoma State University, present
Albert K. Karnig, President, California State University, San Bernardino, present

Vice Chair Gould called the meeting to order at 2:35 p.m.

Trustee Hauck, chairman of the board, introduced the Honorable Antonio Villaraigosa, speaker of the Assembly, and welcomed him to the meeting. Speaker Villaraigosa said he was pleased to be able to attend the trustees' meeting in his role as ex officio and that he hopes to attend on a regular basis, his schedule permitting.

Approval of Minutes

The minutes of January 26, 1999, were approved.

Status Report on the 1999/200 Support Budget

Mr. Richard P. West, executive vice chancellor and chief financial officer, referred to a handout updating the current budget status and the Legislative Analyst's Office recommendations. The handout also contained the CSU's responses to those recommendations.

Mr. West took a few moments to review CSU's presentation to the legislative committees and the Department of Finance. He explained CSU does not yet have an agreement with the Department of Finance and the governor on Compact II; however, a letter from Secretary of Education Gary Hart and the director of the Department of Finance, Tim Gage, has been received indicating their willingness to begin discussions. It is anticipated these discussions will commence within the next few weeks during which time CSU will continue to pursue current accountability measures and agree on a funding strategy that would form the basis for the May Revision. Mr. West said that when CSU again addresses the Senate and Assembly legislative committees, staff will continue to pursue the trustees' priorities as originally presented in the October 1998 budget proposal. This essentially means that CSU will seek an additional \$91 million above the \$129 million allotted to us in the Governor's Budget in order to bring us up to the ongoing permanent need of \$220 million to meet the university's overall requirements.

Mr. West noted additional requests above and beyond the Governor's Budget. Those include: \$28.5 million to complete the compensation pool to bring it up to 4 percent, and \$19.5 million for an additional 2 percent for faculty compensation to assist in the process of closing the faculty salary gap. Other areas include a request for \$23 million for technology improvements; specified program operation costs for the Channel Islands and Coachella Valley sites, and the agricultural research initiative. A discussion of the need to look at high cost programs was also introduced during the Senate hearings. Mr. West said we will look toward an assessment at the May Revision and the opportunity to address all of our requested priorities.

Speaker Villaraigosa commented on outreach efforts and the impact of Proposition 209 on recruitment. He said there is a great need to engage in an unprecedented outreach effort in an attempt to assure that the best and brightest students have the opportunity to attend institutions of higher learning. He said the Assembly committee will be working with the university to develop a line item for outreach and asked for assistance in determining just what CSU's needs are in order to get the ball rolling. He stressed that the legislature is committed, to the extent possible, to make the university whole with respect to the differences between the Governor's Budget and the availability of additional revenues.

Speaker Villaraigosa inquired about the university's possible move in the direction of year-round operation. Chancellor Reed replied that the university is in the process of exploring this concept and that our budget

in Sacramento reflects this possibility. Chancellor Reed said that this too will depend on the realism of what happens with the May Revision and revenue estimate.

Auxiliary Organization Tax-Exempt Financing at California State University, Monterey Bay

Mr. West presented the information item and stated that it was consistent with standard auxiliary financing procedures and required no action by the board. The transaction calls for additional beds for the Monterey Bay campus. The project involves converting one of the existing army buildings on campus to a residence facility. The project, which will cost \$6.7 million, is insured and has a strong financing base.

Dr. Peter P. Smith, president, California State University, Monterey Bay, stated that the recent IRS ruling allowing this type of financing permitted the campus to respond more quickly to a rapidly evolving situation. President Smith said the housing needs of CSU Monterey Bay continue to increase and that he foresees this growth trend to continue for some time.

Trustee Pierce asked if the private letter ruling means that CSU may directly authorize proposed bonds without the aid of a third party governmental unit. Mr. West replied that this was part of the simplification process which was brought to the board at the last meeting. Mr. Rick Hiscocks, bond consul with Orrick, Herrington, & Sutcliffe, augmented Mr. West's reply by confirming that it does indeed mean CSU will be able to directly authorize debt through qualifying auxiliaries without the need to involve third party governmental units as has been done in the past.

President Smith introduced Ms. Barbara Lawson, chief financial officer for CSU Monterey Bay, and commended her for her work on this project and in the development of the campus's overall financial plan.

Private Sector Participation in the Development of the Village at Centennial Square on the Campus of San Francisco State University

Mr. West reviewed the item which was presented to the board for information at the November 1998 meeting. The item involves the financing aspect of the project which is done through the campus auxiliary. He noted the item also contains the resolution of the 1989 loss of Verducci Hall, which was a student residence facility on the San Francisco campus. After many years of debate and negotiation with FEMA, a final decision was reached to replace Verducci Hall. The overall recognition of loss came to \$9.6 million, of which \$2.4 million is being sought from the state.

Mr. West clarified this is a combined project that would include a student services building, parking facilities, and replacement of the number of residential units lost in the earthquake. Due to the structure of the project, there would be a certain amount of shared risk by the developer with respect to timely completion of the project and actual revenue generated by leasing or renting of the facility.

Trustee Pierce asked about how the deal with the developer was negotiated and for clarification of the \$350,000 per year payment (over a 10-year period), and repayment of a \$1 million advance. President Corrigan explained the procedure by which the developer was chosen. Mr. Don Scoble, vice president for business and finance at San Francisco State University, then explained that the \$350,000 yearly payment (over 10 years) covers the \$1 million advance from the developer and 4 percent per annum for

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assuming part of the risk for rent-up. Trustee Pierce inquired if the developer will receive any other fees. Mr. Scoble replied there is a developer fee of approximately \$750,000.

Trustee Mitchell mentioned a letter from students expressing various concerns regarding the proposed facility. President Corrigan said he had not seen the letter. He pointed out that the Associated Students were asked to take a position on this issue and that they declined to do so. President Corrigan noted that to date he has not received any letters, phone calls, faxes, or e-mails from any campus members expressing any concerns about the project.

Trustee Wang congratulated President Corrigan and the San Francisco State campus for their excellent ideas on this project. He then asked about the anticipated charges for rental housing, parking, and rental space. Mr. Scoble replied that charges to students for their rooms will be comparable to what will be charged in the high-rise apartment building that presently exists, and that parking rates would be approximately the same as the reserved rate. He assured that none of the costs for the student affairs building would be borne out of student fees.

Ms. Mette Adams, chair, California State Student Association, said she wanted to clarify that the letter Trustee Mitchell referred to was drafted by the CSSA, and was intended to relay the concerns of the students to the board on this project.

Mr. Jeff Goldblat, a San Francisco State alumnus, spoke to the committee and expressed his disapproval of the decision to abandon restoration of Verducci Hall in favor of constructing a new facility.

Mr. Bruce Wolfe of the Associated Students of San Francisco State University presented his comments regarding the lack of opportunity for student input with regard to this project.

In response to the students'/alumni comments, President Corrigan summed up the situation by saying that the original offer from FEMA was for \$27 million to put Verducci Hall back together. It was clear, throughout the period of negotiation, SFSU would never have been able to obtain state permission for occupancy, even if it accepted the FEMA plan, due to major conflicts between the two entities. To spend \$25 to \$35 million to restore a 1960s dormitory concept, as opposed to constructing on campus a more modern 21st century facility, was determined to be not only a great dereliction of duty, but a great disservice to existing and future students at San Francisco State University.

A motion was made to approve the resolution. Chairman Hauck said he declined to vote due to the project developer's membership on the California Round Table.

The committee recommended approval of the resolution (RFIN 03-99-02).

Adjournment

The meeting adjourned at 3:27 p.m.

BRIEF

Information Item

Agenda Item 1
May 11-12, 1999

COMMITTEE ON FINANCE

Status Report on the 1999/2000 Support Budget

Presentation By

Richard P. West, Executive Vice Chancellor and
Chief Financial Officer

Legislative hearings have been scheduled since February for consideration of the 1999/2000 CSU Support Budget. Legislative fiscal committees and subcommittees are deliberating issues raised in the legislative analyst's report presented at the March meeting of the Board of Trustees, as well as issues of concern to members of the Senate and Assembly. Budget discussions are still under way and several issues of concern to CSU, specifically the request for restoration of the trustees' funding request should state revenue projections improve in May 1999. Discussions with the Department of Finance and the Secretary of Education on Compact II are also under way.

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Agenda Item 1
May 11-12, 1999

COMMITTEE ON FINANCE

Status Report on the 1999/2000 Support Budget

Summary

The California State University proposed 1999/2000 Support Budget was presented at the October 1998 meeting of the Board of Trustees. The budget request for 1999/2000 totaled \$2.4 billion in General Fund support and \$768.3 million to be collected as revenue and reimbursements. The General Fund request was calculated in accordance with the higher education funding compact, now called Compact I, used to develop the last four CSU budget requests. The request also eliminated one-time funds provided in 1998/99 for state-recognized CSU budget deficiencies. In addition, funding above Compact I levels was requested for special state investments in higher education including funding for CSU's technology initiative, a supplemental salary increase for faculty, continuance of funding provided for teacher recruitment, and special campus initiatives for Channel Islands, Coachella Valley and applied agricultural research. CSU further requested that the state continue to recognize structural budget deficiencies in funding for deferred maintenance, instructional equipment and libraries if resources were available.

The governor's proposed 1999/2000 budget, issued January 9, 1999, includes appropriations that support just over half of CSU's funding request. In addition, the Governor's Budget proposal uses \$10 million in projected CSU carryforward funds from 1998/99 and requires a 10 percent increase in nonresident tuition rates to provide \$6 million in revenue to fund 1999/2000 expenditures. The total Governor's Budget proposal provides a \$110.9 million increase in General Fund support and \$6 million in nonresident tuition revenue. The governor's action was taken in part in response to estimates that state revenues would fall as much as \$1 billion short of estimates.

Legislative hearings are still in progress and the committee will be given current information on further developments related to the 1999/2000 CSU Support Budget. The committee will also be given an update on Compact II discussions. Because the 4-year-long Compact I is expiring this year, we have begun discussions with the Department of Finance and the Secretary of Education on Compact II. This new agreement will provide a stabilized baseline for future CSU funding in exchange for certain accountabilities on the CSU's part.

CSU revised its budget plan based on the Governor's Budget proposal and identified two additional funding priorities should the state revenue projections improve at the May Revise. The two new items are (1) \$15 million in the first of a two-year phase-in to recognize the cost differential in CSU agriculture, architecture, engineering and nursing programs; and (2) \$889,000 to provide salary adjustments to recognize market differentials for skilled trades employees. This supplemental compensation funding will be provided only if the 1999/2000 Final Budget funds all other CSU priority budget requests.

1999/2000 CSU Revised Support Budget Request

	Revised October Request	Governor's Budget	Additional Need	Comprehensive Budget Request
Dental Annuitants Benefits	.....	\$1,356,000 *		\$1,356,000
Mandatory Costs				
Full-Year Compensation	\$2,500,000	2,500,000		2,500,000
Benefits Rate Increase	7,400,000	9,216,000		9,216,000
New Space	2,057,000	2,057,000		2,057,000
State University Grants	3,277,000	3,277,000 *		3,277,000
Compensation	73,440,000	44,982,000	28,458,000	73,440,000
3% Enrollment	52,516,000	52,516,000 *		52,516,000
Summer Session Teacher Preparation	2,429,000	2,200,000		2,200,000
Plant Maintenance	4,000,000	4,000,000 *		4,000,000
Monterey Bay Start Up Supplement	2,833,000	2,833,000		2,833,000
Technology	25,000,000	2,000,000	23,000,000	25,000,000
2% Faculty Compensation Supplement	19,512,000	0	19,512,000	19,512,000
Coachella Valley	380,000	0	380,000	380,000
Channel Islands	2,000,000	1,165,000 *	835,000	2,000,000
Applied Agricultural Research	5,000,000	1,000,000 *	4,000,000	5,000,000
State-recognized Deficiencies	45,000,000	0	45,000,000	0
High Cost Programs	0	0	15,000,000	15,000,000
Increased Budget Support	\$247,344,000	\$129,102,000	\$136,185,000	\$220,287,000
Skilled Trades Compensation Supplement			889,000	889,000
Total Increased Budget Support			\$137,074,000	\$221,176,000
Sources of Funds				
General Fund	\$235,103,000	\$110,861,000	\$92,074,000	\$202,935,000
General Fund: State-recognized Deficiencies	.....	.....	45,000,000	.....
Student Fee Income - Nonresident Tuition	.....	6,000,000	.....	6,000,000
Net Student Fee Income - State University Fee	12,241,000	12,241,000	.....	12,241,000
	\$247,344,000	\$129,102,000	\$137,074,000	\$221,176,000

* Specified in Governor's Budget

BRIEF

Action Item

Agenda Item 2
May 11-12, 1999

COMMITTEE ON FINANCE

Private Sector Participation in the Development of a 10-Acre Parcel at California State University, Monterey Bay

Presentation By

Peter P. Smith, President
California State University, Monterey Bay

Richard P. West, Executive Vice Chancellor and
Chief Financial Officer

Summary

California State University, Monterey Bay is proposing to enter into an educational partnership with Chartwell School which will result in a new facility for Chartwell School and a significant learning opportunity for students in teacher education at CSUMB. The project includes the leasing of 6-10 acres of land to Chartwell School for the purposes of building a new school of approximately 20,000 square feet. In return, CSUMB will receive lease revenue and access to a program that will strengthen and further the academic mission of the campus.

The trustees are being asked to approve the concept of a partnership with Chartwell School for purposes of building a new educational facility, and to authorize that additional steps be taken to finalize a development plan for subsequent approval by the Board of Trustees.

Recommended Action

Approval of the resolution.

COMMITTEE ON FINANCE

Private Sector Participation in the Development of a 10-Acre Parcel at California State University, Monterey Bay

Background

California State University, Monterey Bay is proposing to enter into an educational partnership with Chartwell School which will significantly enhance the teacher education program on the campus, particularly in the area of special education. Chartwell is a stellar school with a very strong academic program for students with learning disabilities. It serves children between the ages of 7 and 14 and currently has 70 students in a mediocre facility. Location of a new Chartwell School supports the campus plan for teacher education, which includes the establishment of a special education program. A gift that will provide an endowed chair in special education is also currently under serious consideration. The gift will enhance the academic program and, along with the establishment of Chartwell School on the campus, will fill an academic need in the area of special education. The establishment of the special education program and the strong connection with Chartwell School will create a noteworthy program at CSUMB.

Proposed Facility

The proposed partnership will provide a new site for Chartwell School on 6-10 acres of land and will allow the school's expansion to 150 students. The site is on the perimeter of CSUMB's property and corresponds with the development of the university's facilities plan. It is proposed that Chartwell School will lease the land at market rates from a recognized CSUMB auxiliary organization pursuant to a ground lease from CSUMB, and will raise the capital funding to build a new school of approximately 20,000 square feet. All sitework will be the responsibility of Chartwell School. The school is poised to begin its capital campaign and has already obtained substantial lead gifts.

Educational Benefits

Chartwell School will provide a valuable learning environment for our students in teacher education and especially in special education. Students will be involved with Chartwell School through:

- Service learning courses
- Student internships
- Student teaching
- Independent study

Students will have the opportunity for applied learning experiences in a very high quality program. Without this partnership, we cannot provide this level of training for our students on campus. We also envision joint programming possibilities including workshops, teacher training and conferences on learning disabilities. Chartwell School has an excellent reputation in the surrounding community and will enhance the campus's public relations and access to community resources.

Development

Chartwell School will begin its capital campaign upon the assurance of a ground lease with a campus auxiliary organization and California State University, Monterey Bay. The project is dependent on successful negotiations of the ground lease terms and approval of the final development plan by the trustees. In addition, the partnership with Chartwell will not be able to go into effect until final conveyance of the property by the U.S. Army to CSUMB, which is expected sometime within the next 9 to 14 months. The campus will provide a ground lease only and will not be involved in the actual construction or sitework of the facility. The campus feels that the special connection to the university's academic mission brought by the Chartwell School's proposal transcends many uses of this university property for other public private development.

Summary

This proposal seeks to establish an educational partnership with Chartwell School, which will provide resources for the academic program and revenue to the campus from a ground lease with a campus auxiliary organization. The rental income will be expended under the direction of the university for these purposes, and the program will further the academic mission of the campus in the areas of teacher education and special education by providing Chartwell School a ground lease for 6-10 acres of land to build a new school. Chartwell School has an excellent reputation and will provide valuable on-site opportunities to CSUMB students. This partnership supports the campus's development of a special education program, and the mission of the academic program to create valuable alliances with community based organizations that further the vision of the university. The project is dependent upon successful negotiation of lease terms and conveyance of the property to CSUMB by the U.S. Army.

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of The California State University, that the trustees:

1. Support the concept, as presented in agenda Item #2 of the May 11-12, 1999, meeting of the trustees' Committee on Finance, of California State University, Monterey Bay and a campus auxiliary organization entering into an educational partnership with Chartwell School for purposes of Chartwell School building a new facility on the campus and integrating the operations of the new facility with the teacher education and special education programs of the university.
2. Confirm the chancellor's or his designee's authority to enter into negotiations and such agreements as necessary to enable the project to move forward and to be considered for final approval by the Board of Trustees.

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Agenda Item 2

May 11-12, 1999

3. Will consider the following action items for approval at appropriate times:
 - (a) A specific development program negotiated by the campus and Chartwell School;
 - (b) Master plan revisions as needed;
 - (c) Proposed schematic plans; and
 - (d) Environmental documents for all facilities as needed.

BRIEF

Action Item

Agenda Item 3
May 11-12, 1999

COMMITTEE ON FINANCE

Public Sector Partnership in the Development of a California Regional Forensic Science Facility at California State University, Los Angeles

Presented By

James M. Rosser, President
California State University, Los Angeles

Richard P. West, Executive Vice Chancellor and
Chief Financial Officer

Summary

California State University, Los Angeles is proposing to enter into an educational partnership with three public entities to construct a new 323,000 gross square foot California Regional Forensic Science Facility on approximately eight acres of existing university land for the purpose of enhancing the university's academic program and educational facilities.

The trustees are being asked to review and approve the concept of allowing the state of California to develop, finance, construct, operate, and maintain a forensic science facility at California State University, Los Angeles and to authorize the chancellor to enter into agreements that will finalize a development plan for subsequent approval by the trustees.

Recommended Action

Approval of the resolution.

COMMITTEE ON FINANCE

Public Sector Partnership in the Development of a California Regional Forensic Science Facility at California State University, Los Angeles

Background

California State University, Los Angeles (CSULA) is proposing to enter into an educational partnership with three other public entities to create a state-of-the-art California Regional Forensic Science Facility. The other organizations in the partnership for the use of the center are: the Los Angeles Police Department (LAPD), the Los Angeles County Sheriff's Department (LASD), and the State of California Department of Justice (CDOJ).

An in-depth feasibility study has been completed along with a needs assessment indicating that developing this laboratory is practical and sensible with numerous benefits to the region, including educational enhancement and other aspects of public service. The project will provide new scientific laboratory space, support offices, educational and training capabilities, storage, advanced technology in the form of equipment and software, along with efficient and productive educational/work environments.

Proposed Facility

The facility size is currently estimated to be approximately 323,000 gross square feet which includes individual spaces to be used by the various agencies separately, and common areas that will support and be used by all occupants jointly. The common space use of the facility increases the efficiency and reduces costs for all entities. Parking will be provided on the basis of one car per 500 square feet of gross building area, plus other spaces for university students and staff. The present estimated cost of this facility is \$131 million.

California State University, Los Angeles is proposing that the facility be located at the southwest entrance to the campus. This site is currently used as a parking lot. Because of this location, the laboratory will be a focal point from both the adjacent freeway and all traffic entering the campus from the southwest. The appraised value of this site is estimated at \$7.3 million.

The proposed site is approximately eight acres and is bounded by two major streets, Paseo Rancho Castilla, which is the western boundary of the site, and State University Drive, which is the southern boundary of the site. The proposed site has been approved and incorporated into the campus master plan of the 1999/2000 capital outlay program.

Educational Benefits

California State University, Los Angeles is a participant in the project and has an opportunity through its degree programs to use the facilities for instructional purposes with direct access to state-of-the-art laboratory facilities. In addition, CSULA will have access to several lecture halls, seminar rooms,

computer classrooms, distance-learning classrooms, library, and teaching laboratory faculty/student research laboratories.

The facility also will house the CSULA Criminal Justice Department, which offers a Master of Science degree in criminalistics (one of the few forensic science degree programs in the western United States) and provides space for the CSULA Public Safety Department. Close collaboration between the operational LAPD and LASD crime laboratories, and CSULA departments, e.g., chemistry, biological sciences, psychology, anthropology, nursing, criminal justice, and others, will benefit the entire criminal justice community. The proximity of the LAPD and LASD crime laboratories will create internships and full-time professional career opportunities for CSULA undergraduate and graduate students, as well as increased opportunities for faculty applied research. A ready source of forensic science adjunct faculty positions for CSULA is another outcome of this partnership.

Development

The California Regional Forensic Science Facility will be developed over a four-year period, standard for a facility of this magnitude. It is estimated that this facility will be operational by early 2003. A legislative proposal is currently being considered to fund this and other forensic laboratories in California. The Department of Justice is seeking budget approval to fund the project and operations. The LASD and LAPD will be primary users and occupy approximately 86 percent of the facility. Their space needs are driven primarily by their laboratory space needs. The California Department of Justice California Criminalistics Institute will use the classrooms when they are not in use by other agencies. This will allow the agency to establish a southern California training facility without significant additional construction cost. Overall, the project offers considerable efficiencies and benefits.

Operation

The state of California, the county of Los Angeles, the city of Los Angeles, and the university are currently exploring alternatives for operating the facility. The intent of the parties will be to have an agreement identify joint facility use, levels of responsibility, contributions, operational cost participation, and a mechanism for future change or adjustments. The intention of the university is that the facility will become the property of the trustees at the conclusion of the partnership relationship. The planning, design and construction will comply with California State University planning and construction guidelines.

Summary

This proposal seeks to establish an educational partnership with three public entities to construct a new 323,000 square foot California Regional Forensic Science Facility on approximately eight acres of existing university land for the purpose of enhancing the university's academic program and educational facilities.

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Agenda Item 3

May 11-12, 1999

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of The California State University, that the trustees:

1. Support the concept of California State University, Los Angeles working with the Department of Justice, the county of Los Angeles, and the city of Los Angeles to design, construct, operate, and maintain a new 323,000 gross square foot forensic science facility located on approximately eight acres of campus-owned land which will also provide educational facilities as described in Agenda Item 3 of the May 11-12, 1999, meeting of the trustees' Committee on Finance.
2. Confirm the chancellor's or his designee's authority to enter into negotiations and such agreements as necessary to initiate the process for specific development programs to be considered by the campus, Office of the Chancellor, and the Board of Trustees.
3. Will consider the following action items for approval at appropriate times during the development process:
 - (a) A specific partnership program with the university and the public entities;
 - (b) Proposed schematic plans; and
 - (c) Environmental documents for compliance with CEQA.

BRIEF

Action Item

Agenda Item 4
May 11-12, 1999

COMMITTEE ON FINANCE

Public Sector Participation in the Development of a Department of Justice Crime Laboratory at California State University, Fresno

Presentation By

John D. Welty, President
California State University, Fresno

Richard P. West, Executive Vice Chancellor and
Chief Financial Officer

Summary

California State University, Fresno is proposing to enter into an educational partnership with the state of California (Department of Justice) to develop a two-acre site to accommodate a new 36,000 gross square foot crime laboratory facility on campus-owned land. The educational partnership will enhance the educational mission of the university and will support recent university initiatives in forensic science.

The trustees are being asked to approve the concept of allowing the state of California to develop, finance, construct, operate, and maintain a crime laboratory facility at California State University, Fresno and to authorize additional steps to finalize a development plan for subsequent approval by the Board of Trustees.

Recommended Action

Approval of the resolution.

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Agenda Item 4
May 11-12, 1999

COMMITTEE ON FINANCE

Public Sector Participation in the Development of a Department of Justice Crime Laboratory at California State University, Fresno

Background

California State University, Fresno is proposing to enter into an educational partnership with the state of California to develop approximately two acres of existing university land for a new crime laboratory facility for the Department of Justice. The existing crime laboratory facility was built in 1973 and is located on university land under a ground lease that expires on June 30, 2003. The existing building will become the property of the trustees at the end of the ground lease period. Its future use has not been determined and is currently being evaluated at the campus.

Proposed Facility

With the allocation of state funds, the Department of Justice, working through the Department of General Services, will design, construct, manage, operate, and maintain a new 36,000 gross square foot facility on approximately two acres of university land. The facility will contain laboratories, meeting rooms, offices, and storage areas and will be located on a site master planned for applied sciences and technology (building number 17). The Department of General Services will be required to complete a Negative Declaration to meet CEQA requirements prior to commencement of construction. The Department of Justice recognizes that the planning and development of the new crime laboratory facility must comply with trustee policies and be consistent with the university's architectural review process and physical master plan. The university will provide required custodial services, utilities, and maintenance on a charge-back basis while the Department of Justice will provide all other resources for the design, construction, and operation of the facility.

Educational Benefits

The proposal to locate the Department of Justice laboratory on campus has already led to development of a new certificate program developed by the Department of Chemistry in forensic chemistry and discussion of a proposed joint doctorate with the University of California in criminology. In addition, a Memorandum of Understanding between the Department of Justice and the university has been drafted which will yield significant educational benefit to our students and faculty. Faculty will have additional opportunities to conduct applied research and there will be added opportunities for student internships.

Development

The state has funded preliminary planning funds as part of the Department of Justice's 1998/99 budget. The Department of Justice has requested working drawings and construction funds in the 1999/2000 budget. The development of this site will be made possible using a long-term ground lease with a recognized CSU auxiliary organization for a term not to exceed forty years. The annual

ground lease will be \$50,000 per year for ten years and then \$1.00 per year thereafter. In turn, the Department of Justice will be licensed to access, operate, and otherwise use the site for the development, management, and maintenance of a crime laboratory facility that will also serve as an educational laboratory for the university. The capital construction budget allocated to the Department of Justice will provide the resources to improve the existing project site. These capital improvements will vest with the trustees at the end of the partnership.

Summary

This proposal seeks to establish an educational partnership with another state agency to construct a new 36,000 gross square foot crime laboratory facility on approximately two acres of existing university land for the purpose of enhancing the university's academic program and educational facilities. This proposal will provide the university with a strong partner for the School of Natural Sciences and will provide needed support for initiatives in the areas of forensic science, criminology, and other academic programs.

The following resolution is recommended for approval:

RESOLVED, By the Board of Trustees of The California State University, that the trustees:

1. Support the concept of California State University, Fresno working with the Department of General Services and the Department of Justice to design, construct, operate, and maintain a new 36,000 gross square foot crime laboratory facility located on approximately two acres of campus-owned land which will also serve to provide educational facilities as described in Agenda Item 4 of the May 11-12, 1999, meeting of the trustees' Committee on Finance.
2. Confirm the chancellor's or his designee's authority to enter into negotiations and such agreements as necessary to initiate the process for specific development programs to be considered by the campus, Office of the Chancellor, and the Board of Trustees.
3. Will consider the following action items for approval at appropriate times during the development process:
 - (a) A specific partnership program with the university and the public entity;
 - (b) Proposed schematic plans, and
 - (c) Environmental documents for compliance with CEQA.

BRIEF

Action Item

Agenda Item 5
May 11-12, 1999

COMMITTEE ON FINANCE

Private Sector Participation in the Development of a 150-Acre Vineyard at California Polytechnic State University, San Luis Obispo

Presentation By

Warren J. Baker, President
California Polytechnic State University, San Luis Obispo

Richard P. West, Executive Vice Chancellor and
Chief Financial Officer

Summary

This item requests the Board of Trustees to approve the specific development program negotiated by the campus with E & J Gallo for development of up to 150 acres of campus-owned agricultural land into a wine grape vineyard. This vineyard would provide educational facilities that replicate industry standards and size and will provide practical knowledge and realistic experiences that will better prepare students to enter the industry workforce. The educational program will serve to enhance the educational mission of the university and will address a growing need for university graduates in all facets of the wine grape industry. The vineyard facility will also support research of interest to students, faculty and the state's and county's growing wine grape industry, particularly research relating to wine grape production, pest and disease management, irrigation technology and environmental management.

The trustees are being asked to approve the development program utilizing the private sector to develop, finance, construct, maintain, and operate a joint-use facility at California Polytechnic State University, San Luis Obispo and to confirm the chancellor's authority to enter into agreements that will facilitate the development of the project.

The tax-exempt financing of the auxiliary organization will proceed pursuant to the chancellor's delegation in the Board of Trustees' CSU Policy for Financing Activities.

Recommended Action

Approval of the development plan.

ITEM

2

Agenda Item 5
May 11-12, 1999

COMMITTEE ON FINANCE

Private Sector Participation in the Development of a 150-Acre Vineyard at California Polytechnic State University, San Luis Obispo

The Board of Trustees, at its November 10-11, 1998, meeting approved the concept of a plan in which California Polytechnic State University, San Luis Obispo (University) would enter into an educational partnership agreement for a term of approximately twenty-five years with the private sector to develop up to 150 acres of existing university agricultural land into a wine grape vineyard. The vineyard will provide educational facilities of industry standards and size and will enable the university to establish a more comprehensive and interdisciplinary hands-on instructional program related to the cultivation of wine grapes and the analysis and marketing of wine. The vineyard facility will also support research of interest to students, faculty and the state's and county's growing wine grape industry, particularly research relating to wine grape production, pest and disease management, irrigation technology and environmental management.

Educational Program Agreement

Through an educational program agreement, E & J Gallo (Gallo) will develop, manage, maintain, and operate a state-of-the-art vineyard on up to 150 acres of university agricultural land for a period of 30 years. The vineyard project will be developed in phases and will be operated by Gallo as part of its central coast viticulture operations while serving as an educational laboratory for instruction and applied research.

The selection of Gallo as the developer and manager of the facility was made after a series of meetings to assess mutual interests and common goals for a campus-based vineyard. This selection was facilitated by the close working relationship that Gallo has developed over time with the campus College of Agriculture and the attraction of both parties to jointly develop an educational program.

The first phase of the project will develop approximately fifty (50) acres of land located at Chorro Creek Ranch. Phasing of the project will provide the opportunity for a larger number of students to experience first hand the development of a vineyard and will allow Gallo and the University to modify vineyard specifications in response to local growing conditions.

The California Polytechnic State University campus has approximately 6,051 acres available to support its academic mission. The College of Agriculture currently utilizes approximately 5,900 acres for its programs and will designate approximately 2.5 percent of this acreage for the development of the vineyard project.

To facilitate the project the University will lease those sites identified for vineyard development to the campus foundation, a recognized CSU auxiliary organization, for a period of 30 years. The foundation, in turn, will authorize Gallo to develop, operate, manage, and maintain each vineyard laboratory site, up to 150 acres, for a period of thirty (30) years. The foundation will also authorize the University to use the sites for instruction and research purposes. Gallo will provide the resources to improve the existing agricultural land into a joint-use facility which will vest to the trustees at the end of the term. The 30-year term of this agreement recognizes that the initial non-crop producing period is 3-4 years and that the vineyard will not reach peak production until years

6 through 12. This will provide Gallo with an opportunity to recover its investment and will provide the University with continued opportunities offered by Gallo experts. The University will provide the water resources for irrigation of the vineyard sites for the term of the agreement.

Key Elements of the Development Plan

A three-party Educational Program Agreement has been negotiated between the university, Gallo, and the university foundation that outlines the resources each party will bring and the benefits each will derive from the project. There are some key elements to the development plan contained in the agreement that demonstrate the support of private industry in providing educational opportunities for students and in the development of programs and curriculum that are needed by industry. The following lists key business points contained in the Educational Program Agreement.

Gallo

- Gallo will provide the resources necessary (including a significant capital investment) to develop up to 150 acres of existing agricultural land on the California Polytechnic State University campus into commercial scale vineyard sites over a phased period.
- Gallo will operate, maintain, and manage the vineyard sites using its expertise in managing of commercial scale vineyards.
- Gallo will provide internships to Cal Poly students both on and off campus.
- Gallo will provide industry experts for adjunct support for the University's instructional and research programs.
- Gallo will retain the grape crop which will have an estimated market value of approximately \$700,000 to \$1,000,000 a year (in current year dollars) after the 150 acres of vineyard have reached full maturity. (Each site is expected to reach full maturity approximately six years after planting.) This value may vary from year to year depending on the actual tonnage of the grape crop and the market price per ton.
- Gallo will have the exclusive right to name the sites and to use such names as trademark and vineyard designations with the approval of the university.

University

- The university will lease each site to the foundation for a period of 30 years. The foundation will in turn authorize Gallo through site agreements to develop, operate, manage, and maintain each vineyard site for a period of 30 years.
- The University will provide a sufficient supply of water for irrigation of the sites at an estimated annual volume of 1-acre foot per acre developed or 150-acre feet for the full 150 acres. The annual cost is approximately \$80 per acre-foot, or \$12,000 for 150 acres.

- Any of the site agreements can be terminated by either party for economic or educational reasons, by mutual agreement, by termination of the ground lease, by urgent necessity for state or national emergency, and/or by a material breach of the agreement. However, if termination is initiated by the university, Gallo shall be compensated for the non-depreciated value of its initial capital investment plus any non-capitalized expenses incurred.
- The collaboration of Gallo with the University will create reasonable opportunities for the development of programs and research beneficial to the wine grape industry, particularly on the central coast. The new vineyards will allow experimental comparisons between production requirements of central coast wine grapes and those grown elsewhere in California. Determining the best-adapted rootstocks and fruiting varieties for this region is of considerable interest to the wine grape industry. Other research opportunities provided by this project include studies of pest and disease management, irrigation technology, and the compatibility of wine grape production in the environmentally sensitive Chorro Creek watershed. Information gained from these research projects will benefit Cal Poly students, the E & J Gallo Winery, and the larger wine grape industry.
- The University will have access to state-of-the-art vineyard sites for instruction and applied research opportunities. The vineyard laboratory will support a comprehensive, interdisciplinary “learn by doing” instructional program in viticulture and help the University address the growing need for skilled industry personnel with baccalaureate and master’s level education.
- All rights to research results and inventions stemming from University research activities will be retained by the University; however, Gallo will have use of the results for its operations. Any other use by Gallo will be subject to a license.
- Gallo will annually donate an amount based on 10 percent of the value of the grape crop to further support the University’s effort to strengthen and expand its programs in viticulture and to support research beneficial to the wine grape industry. The approximate value of this donation, after the entire 150 acres have been developed and the vineyards are matured, will be approximately \$75,000 to \$100,000 per year (in current year dollars). At last year’s prices, the donation would be approximately \$97,000 for 150 acres of mature wine grapes. Vineyards take 3-4 years before they begin to produce; therefore, the University does not expect to begin receiving a donation until the 4th year after planting. The donations will continue through the end of the 30-year agreement(s) at which time the University will either continue with the relationship or will assume responsibility for the vineyards.
- The vineyard and all of its improvements shall become the property of the university at the end of the lease.

Foundation

- The university foundation will facilitate the development and uses of the property and will be reimbursed for its operating costs from the funds accruing to the university from the project.

The following resolution approving the development plan is recommended:

RESOLVED, By the Board of Trustees of The California State University, that the board:

1. Approves the development plan for California Polytechnic State University, San Luis Obispo to utilize the private sector to develop, manage, operate, and maintain up to 150 acres of campus owned agricultural land for wine grape vineyard sites to provide educational facilities that will replicate industry standards and size as described in Agenda Item 5 of the May 11-12, 1999, meeting of the trustees' Committee on Finance.
2. Confirms the chancellor's or his designee's authority to enter into an Educational Program Agreement and related agreements as necessary to implement the development plan as approved by the Board of Trustees.