Status Report on the 2013-2014 State Funded Capital Outlay Program—Governor’s Budget

Campus Planning, Buildings and Grounds Committee
Board of Trustees
January 22-23, 2013
### 2013-2014 Capital Outlay Program

<table>
<thead>
<tr>
<th>Project</th>
<th>Total Request</th>
<th>Governor’s Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-2014 Capital Outlay Program (38 projects)</td>
<td>$519,571,000</td>
<td>$3,639,000 *</td>
</tr>
</tbody>
</table>

*2002 General Obligation Bond Fund*
## Governor’s Budget

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakersfield – Art Center and Satellite Plant</td>
<td>$533,000 (E)</td>
</tr>
<tr>
<td>Maritime Academy – Physical Ed Replacement</td>
<td>$1,295,000 (E)</td>
</tr>
<tr>
<td>Fresno – Faculty Office/Lab Building</td>
<td>$383,000 (E)</td>
</tr>
<tr>
<td>San José – Spartan Complex Renovation (Seismic)</td>
<td>$1,428,000 (E)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,639,000</strong></td>
</tr>
</tbody>
</table>

CSU will ask State to include these projects in the Fall 2013 General Obligation bond sale.
State Capital Program

• 2013/14 Trustees Request: $519.6M million
  • Systemwide Infrastructure $15.6 M (GO bonds)
  • Fresno Utilities Infrastructure $37.8M
  • Los Angeles Utilities Infrastructure $28.3M
  • Monterey Bay Infrastructure Improvements $33.0M
  • Long Beach Utilities Infrastructure $27.M
  • San Diego Utilities Upgrade, Ph 1A $52.2M

• Plan for 2014/15 is to address infrastructure needs and renewal backlog:
  • Systemwide Infrastructure $300M.
<table>
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<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humboldt - Seismic Upgrade, Van Duzer Theater</td>
<td>($7,920,000) PWC</td>
</tr>
<tr>
<td>Bakersfield - Seismic Upgrade, Dore Theater</td>
<td>($1,867,000) PWC</td>
</tr>
<tr>
<td>Humboldt - Seismic Upgrade, Library</td>
<td>($5,558,000) PWC</td>
</tr>
<tr>
<td>Total Reversion due to lack of FEMA Grant funds</td>
<td>($4,190,000)</td>
</tr>
</tbody>
</table>

- The reversion amount is only $4.19M as the state assumed FEMA funds would be granted to co-fund the projects.
- Two other seismic projects also approved in 2012/13 Budget Act are proceeding: Los Angeles Administration building and San Luis Obispo Crandall Gymnasium.
Proposes that CSU (and UC) be responsible for paying the annual debt service on General Obligation and Lease Revenue Bonds.

- Future Support Budget funding based on 2013/14 debt service payment.
• Proposes authority to use support appropriations for capital expenditures, including:
  • Design and construction (not acquisition, equipment)
  • Academic buildings and infrastructure
    • Seismic and life safety
    • Enrollment growth
    • Modernization and renewal
    • Payment of debt service for these projects
  • Secure DOF project approval by July 1
  • Report by April 1 on project status
  • Allows CSU to proceed without further approvals
### Summary of Existing and Planned State Funded Bond Debt

<table>
<thead>
<tr>
<th>Bond Type</th>
<th>Outstanding Debt</th>
<th>2013-14 Payment</th>
<th>Highest Annual Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. General Obligation (existing)</td>
<td>$4.8 billion</td>
<td>$198.1 million</td>
<td>$232.7 million</td>
</tr>
<tr>
<td>2. Lease Revenue (existing)</td>
<td>$1.7 billion</td>
<td>$90.5 million</td>
<td>$113.3 million</td>
</tr>
<tr>
<td>3. General Obligation and Lease Revenue</td>
<td>$0.3 billion</td>
<td>$0.0 million</td>
<td>$40.8 million</td>
</tr>
<tr>
<td>(planned increase for appropriated projects)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6.8 billion</strong></td>
<td><strong>$288.6 million</strong></td>
<td><strong>$332M</strong> *</td>
</tr>
</tbody>
</table>

* Estimate highest annual payment will occur in 2016/17. Difference of about $44 million ($332M - $288M).
Existing and Planned General Obligation and Lease Revenue Bond Debt Payments

* Pending confirmation from Department of Finance.
Capital Outlay Funding Sources

• State Funded –
  • General Obligation Bonds
    • Nine ballot initiatives beginning 1986, most recent 2006
  • Lease Revenue Bonds
    • Various years beginning in 1985, most recent 2010
  • Other sources
    • State Construction Fund (1963-1968)
    • Tidelands Oil Revenue (1968-1986)
    • Federal Grants (various)
• Nonstate Funded –
  • Systemwide Revenue Bond Program
    • Board approved in 2002
    • Authority under Bond Act of 1947
      • Pledges multi-source revenue
      • Includes Student Housing, Parking, Health Facilities, Student Unions, Continuing Education
    • Other revenue based on-campus and off-campus projects also participate like auxiliary organizations
  • Donor Funded
  • Grants
• Other Sources/Programs –
  • Equipment/Lease Financing – 6-10 year repayment
  • Investor Owned Utility On-Bill financing (energy)
    • Low interest loan repaid from energy savings
  • Private Financing
    • Private entity makes capital improvements and could operate the plant (San José Cogeneration Plant)
    • Pay the private party for the cost of utilities provided.
Next Steps

• Working group on to assess capital funding alternatives based on Governor’s proposal.
  • Review existing statutes and financing authority.
    • Identify needed changes to statutes
    • Include authority to refinance Lease Revenue Bond debt
  • Recommend alternative to executives
• Return to the Board for approval
• Pursue appropriate Budget Act language and Trailer Bill language