

AGENDA

JOINT COMMITTEE ON FINANCE AND CAMPUS PLANNING, BUILDINGS AND GROUNDS

Meeting: 4:10 p.m., Tuesday, November 17, 2020
Virtually via Teleconference

Committee on Finance

Jack McGrory, Chair
Peter J. Taylor, Vice Chair
Larry L. Adamson
Jane W. Carney
Wenda Fong
Maryana Khames
Krystal Raynes
Lateefah Simon

Committee on Campus Planning, Buildings and Grounds

Jane W. Carney, Chair
Lateefah Simon, Vice Chair
Larry L. Adamson
Krystal Raynes
Romey Sabalius
Peter J. Taylor

- Consent**
1. Approval of Minutes of the Meeting of July 21, 2020, *Action*
 2. San José State University Spartan Athletics Center – Approval to Amend the 2020-2021 Capital Outlay Program, Schematic Design, and Issuance of Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments, *Action*

**MINUTES OF THE JOINT MEETING OF THE
COMMITTEE ON FINANCE AND
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
July 21, 2020**

Committee on Finance

Jack McGrory, Chair
Peter J. Taylor, Vice Chair
Larry L. Adamson
Jane W. Carney
Rebecca D. Eisen
Wenda Fong
Maryana Khames
Hugo N. Morales
Krystal Raynes
Lateefah Simon

**Committee on Campus Planning,
Buildings and Grounds**

Jane W. Carney, Chair
Lateefah Simon, Vice Chair
Larry L. Adamson
Rebecca D. Eisen
Krystal Raynes
Romey Sabalius
Peter J. Taylor

Lillian Kimbell, Chair of the Board
Timothy P. White, Chancellor

Trustee Jane W. Carney called the meeting to order.

Public Comment

Due to the virtual format of the July 21, 2020 meeting all public comment took place at the beginning of the meeting's open session, prior to all committees.

Consent Agenda

The minutes of the March 24, 2020 joint committee meeting were approved as submitted.

***PLEASE NOTE: Due to the Governor's proclamation of a State of Emergency resulting from the threat of COVID-19, and pursuant to the Governor's Executive Orders N-25-20 and N-29-20 issued on March 12, 2020 and March 17, 2020, respectively, all members of the Board of Trustees may participate in meetings remotely, either by telephonic or video conference means. Out of consideration for the health, safety and well-being of the members of the public and the Chancellor's Office staff, the July 21-22, 2020 meeting of the CSU Board of Trustees was conducted entirely virtually via Zoom teleconference.**

California State University, Fullerton Student Housing Phase 4 - Approval to Amend the 2020-2021 Capital Outlay Program; Approval of Schematic Design; Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments

Information about a new student housing project at CSU Fullerton was presented for approval. The project has been developed over time and will provide housing for 600 sophomores and juniors.

Following the presentation, the trustees asked about the housing costs to students, space efficiency rate, and why LEED certification is not being pursued. President Framroze Virjee responded that housing costs are comparable or slightly lower than the Orange County market. He added that LEED certification is not being pursued due to its significant costs and that the space efficiency calculations take into account other operational programming spaces that are not livable bed spaces. The trustees further asked about live-on campus requirements and were informed of the various benefits to students and the community of having students live on campus.

The committee recommended approval of the proposed resolution (RFIN/CPBG 07-20-03).

Trustee Carney adjourned the joint meeting of the Committees on Finance and Campus Planning, Buildings and Grounds.

**JOINT COMMITTEE ON FINANCE AND
CAMPUS PLANNING, BUILDINGS AND GROUNDS**

San José State University Spartan Athletics Center - Approval to Amend the 2020-2021 Capital Outlay Program, Schematic Design, and Issuance of Trustees of the California State University Systemwide Revenue Bonds and Related Debt Instruments

Presentation By

Steve Relyea
Executive Vice Chancellor and
Chief Financial Officer

Mary Papazian
President
San José State University

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

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

This agenda item requests the following actions by the California State University Board of Trustees with regard to the San José State University Spartan Athletics Center project:

- Amendment of the 2020-2021 Capital Outlay Program
- Approval of the Schematic Design
- Approval to Issue Trustees of the California State University Systemwide Revenue Bonds and related debt instruments

Amend the 2020-2021 Capital Outlay Program

San José State University wishes to amend the 2020-21 Capital Outlay Program to include \$57,633,000 for the design and construction of the 54,800 gross square foot (GSF) Spartan Athletics Center (#142¹).

¹ The facility number is shown on the master plan map and recorded in the Space and Facilities Database.

Schematic Design

Project Architect: HOK Architects

Design/Build Contractor: Webcor Builders

Background and Scope

San José State University proposes to design and construct a 39,200 assignable square foot (ASF)/54,800 gross square foot (GSF), two-story athletic facility on the east hillside of the Citizen Equity First Credit Union (CEFCU) Stadium (#117), which is located on the 62-acre South Campus two miles south of the Main campus. The South Campus contains the athletic facilities for San José State University, including tennis complex, soccer, softball, golf, future baseball facilities and the CEFCU Stadium with capacity over 30,000.

Currently, San José State University does not have adequate facilities to support the athletics program. The deficiencies include insufficient athletic training and rehabilitation space, inadequate and outdated team locker and shower areas, and insufficient equipment storage areas and meeting space. The athletics program currently utilizes the Simpkins Stadium Center (#125), a nearly 30-year-old facility, that does not adequately serve the student athletes.

The proposed Spartan Athletics Center project will provide essential space and will be the future home of Spartan football, women's soccer, and men's soccer. The new building will provide athletic training space, team locker rooms, coaches' offices, equipment storage, a leadership development center, multi-purpose learning and dining space, administrative support space, a 150-seat auditorium, and spectator seating on the 50-yard line. The facility will also include a Spartan Hall of Champions display.

The project is designed to achieve Leadership in Energy and Environmental Design (LEED) Gold Certification. Sustainable features include use of recycled water and energy efficient lighting and windows. In addition, permeable paving, drought tolerant plants, and water retention planters will contribute to a sustainable facility.

Timing (Estimated)

Preliminary Plans Completed:	January 2021
Working Drawings Completed:	August 2021
Construction Start:	February 2022
Occupancy:	August 2023

Basic Statistics

Gross Building Area:	54,800 square feet
Assignable Building Area:	39,202 square feet
Efficiency:	72 percent

Cost Estimate – California Construction Cost Index (CCCI) 7528²

Building Cost (\$722 per GSF):	\$39,586,000
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<i>Systems Breakdown</i>	<i>(\$ per GSF)</i>
a. Substructure (Foundation)	\$ 37.43
b. Shell (Structure and Enclosure)	\$144.11
c. Interiors (Partitions and Finishes)	\$134.60
d. Services (HVAC, Plumbing, Electrical, Fire)	\$168.87
e. Built-in Equipment and Furnishings	\$ 36.73
f. Special Construction & Demolition	\$ 13.41
g. General Conditions and Insurance	\$187.23

Site Development	<u>\$6,310,000</u>
Construction Cost	<u>\$45,896,000</u>
Fees, Contingency, Services	<u>\$10,687,000</u>
Total Project Cost (\$1,032 per GSF)	<u>\$56,583,000</u>
Fixtures, Furniture & Movable Equipment	<u>\$1,050,000</u>
 Grand Total	 <u>\$57,633,000</u>

Cost Comparison

This project’s building cost of \$722 per GSF is lower than the San José State University Student Recreation and Aquatic Center of \$760 per GSF approved in November 2016, adjusted to CCCI 7528. The costs are lower primarily in the structural costs and in the building interiors.

²The July 2020 Engineering News-Record California Construction Cost Index (CCCI). The CCCI is the average Building Cost Index for Los Angeles and San Francisco and is updated monthly.

California Environmental Quality Act (CEQA) Action

An Initial Study/Mitigated Negative Declaration (IS/MND) (State Clearinghouse #2013022045) for the Spartan Stadium End Zone Building project (Original Project) was originally certified by the Board of Trustees in May 2013. The project was never realized, and an Addendum to the 2013 IS/MND was prepared in 2020 to analyze the potential environmental impacts of proposed minor modifications to the Original Project, now known as the Spartan Athletics Center project (Modified Project). The minor modifications include relocation of the proposed athletics center and plaza from the north side of the CEFCU Stadium to the east side, expansion of the kitchen and dining facility in Simpkins Center, a small plaza to the north of the athletic complex, a large entry plaza to the west of CEFCU Stadium, and modified driveway access.

The Addendum to the 2013 IS/MND concluded that the Modified Project would result in no new information of substantial importance that would have new or more severe impacts or new mitigation measures compared to those determined for the Original Project in the 2013 IS/MND.

A Minor Master Plan Revision was approved in May 2020 to support the Modified Project's new location. The Addendum to the 2013 IS/MND was certified on May 28, 2020 by the chancellor's designee under the Delegation of Authority granted by the Board of Trustees and a Notice of Determination (NOD) was filed by the campus with the State Clearinghouse on June 4, 2020.

Project Financing

The Systemwide Revenue Bond (SRB) program provides capital financing for projects of the CSU – student housing, parking, student unions, health centers, continuing education facilities, certain auxiliary projects, and other projects, including academic facilities, approved by the Board of Trustees. Revenues from these programs and other revenues approved by the Board of Trustees, including CSU operating funds, are used to meet operational requirements for the projects and pay debt service on the bonds issued to finance the projects. The consolidated pledge of gross revenues to the bondholders strengthens the SRB program and has resulted in strong credit ratings and low borrowing costs for the CSU.

Prior to issuance of bonds, some projects are funded through bond anticipation notes (BANs) issued by the CSU in support of its commercial paper (CP) program. The BANs are provided to the CSU Institute, a recognized systemwide auxiliary organization, to secure the CSU Institute's issuance of CP used to finance the projects. CP notes provide greater financing flexibility and lower short-term borrowing costs during project construction than long-term bond financing. Proceeds from the issuance of bonds are then used to retire outstanding CP and finance any additional costs not previously covered by CP.

This item requests that the California State University Board of Trustees authorize the issuance of long-term SRB financing and related debt instruments, including shorter term and variable rate debt, floating and fixed rate loans placed directly with banks, and BANs to support interim financing under the CSU CP program, in an aggregate amount not-to-exceed \$44,130,000 to provide financing for the project. The Board of Trustees is being asked to approve the resolutions related to this financing.

Given that there are multiple funding sources supporting the project, it will be financed through The Tower Foundation of San José State University, an auxiliary of the campus. The project budget of \$57,633,000 will be funded by multiple sources consisting of the following:

Campus reserves from commercial activities	\$10,564,233
Tower Foundation - Donor Funds	\$7,068,767
SRB/CP Financing supported by campus commercial activity revenues and revenues from Spartan Shops:	\$40,000,000
Total:	\$57,633,000

The not-to-exceed amount of the proposed bonds is \$44,130,000, based on a total budget of \$57,633,000 and combined commercial activity reserve contributions and donor funds of \$17,633,000. Additional net financing costs, such as capitalized interest and cost of issuance, estimated at \$4,130,000, are expected to be funded from bond proceeds. Both tax-exempt and taxable debt will be issued.

The following table summarizes key information about this financing transaction:

Not-to-exceed amount	\$44,130,000
Amortization	Approximately level debt service over 30 years
Projected maximum annual debt service	\$2,710,440
Projected minimum net revenue debt service coverage ³ :	
Net Revenue – Tower Foundation:	1.84
Net revenue – All campus pledged revenue programs:	1.69

³Based on campus projections of 2024-2025 operations of the project with expected full debt service.

The not-to-exceed amount for the project, the maximum annual debt service, and the financial ratios above are based on an all-in interest cost of 4.69 percent (blended between tax-exempt and taxable rate assumptions), which includes a cushion for changing financial market conditions that could occur before the permanent financing bonds are sold. The financial plan assumes level amortization of debt service, which is the CSU program standard. The financial plan projects a Tower Foundation net revenue debt service coverage of 1.84 in fiscal year 2024-2025, the first full year of operations, which is better than the CSU benchmark of 1.25 for an auxiliary project. Combining 2024-2025 projections for the Tower Foundation and 2024-2025 projections for all other campus pledged revenue programs yields a campus net revenue debt service coverage for the first full year of operations of 1.69, which is better than the CSU campus benchmark of 1.35.

In coordination with CSU's Office of General Counsel, Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the projects described in this agenda.

Recommendation

The following resolution is presented for approval:

RESOLVED, by the Board of Trustees of the California State University, that:

1. The 2020-2021 Capital Outlay Program is amended to include \$57,633,000 for preliminary plans, working drawings, construction, and equipment for the San José State University Spartan Athletics Center project.
2. The schematic plans for San José State University Spartan Athletics Center project are approved at a project cost of \$57,633,000 at CCCI 7528.
3. The financing resolutions for the project as described in this Agenda Item 2 of the Joint Committees on Finance and Campus Planning, Buildings and Grounds at the November 17-18, 2020, meeting of the CSU Board of Trustees are approved. Orrick, Herrington & Sutcliffe LLP, as bond counsel, is preparing resolutions to be presented at this meeting that authorize interim and permanent financing for the projects described in this agenda. The proposed resolutions will be distributed at the meeting and will achieve the following:
 - a. Authorize the sale and issuance of the Trustees of the California State University Systemwide Revenue Bonds, and/or the sale and issuance of related Systemwide Revenue Bond Anticipation Notes, and/or the issuance of related debt instruments, including shorter term debt, variable rate debt, floating rate loans placed directly with banks, or fixed rate loans placed directly with banks, in an aggregate amount not-to-exceed \$44,130,000 and certain actions relating thereto.
 - b. Provide a delegation to the chancellor; the executive vice chancellor and chief financial officer; the assistant vice chancellor, Financial Services; and the assistant vice chancellor, Financing, Treasury, and Risk Management; and their designees to take any and all necessary actions to execute documents for the sale and issuance of the revenue bonds, bond anticipation notes, or related debt instruments.