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January 23, 2009

Mary Croughan
Chair of the Academic Council
University of California, Academic Senate

In Re: Regental Item J1—Proposed Bond Initiative

Dear Mary,

Thank you for the opportunity to review and opine upon Regental Item J1, the Bond Initiative featuring seismic retrofitting at the Berkeley and Los Angeles campuses. Upon receipt of the item, it was distributed to all Academic Senate committees at UCLA with an invitation to opine. Specific requests to review and opine were made of the Council on Planning and Budget (CPB) and the Executive Board, which ultimately speaks for the division. The UCLA Academic Senate does not support the proposal as written.

1. Both the Board and CPB concur that, although seismic retrofitting is a matter of great urgency at UCLA (and presumably the other UC campuses, as well), the current economic and political climate make it ill-advised to proceed with a bond proposal at this time. However, at least one board member expressed conditional support for proceeding with the bond measure in the current economic and political climate only if adequate information regarding how debt will be repaid is provided and if that information is determined to be acceptable to the Senate.
2. The Board was greatly concerned that “the University will need further extensive analysis on the concept of a central University bond of \$2 billion in light of the recent activity in the credit markets nationally. Notably, funding required from campuses to support the debt service on this bond will undoubtedly compete with other critical campus needs, in light of the reduction in State operating support” (pp 9-10). The Board strongly recommends that this extensive analysis be completed before the bond measure is proposed and that this information be forwarded to the Senate for review.
3. One Board member raised the question of University priorities. If the bond proposal were to go through, it would impact the UC’s credit rating, making it difficult to leverage this strategy for other priorities. Are there other urgencies for which a bond proposal might better be used? By what process are such priorities determined?

I am attaching CPB's response for your information. Thank you again for the opportunity to review this important matter. I hope we will be able to review future drafts of the proposal before it is submitted to the Regents.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Goldstein". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Michael Goldstein
UCLA Academic Senate Chair

Cc: Martha Kendall Winnacker, Executive Director, UC Senate
Jaime R. Balboa, CAO, UCLA Academic Senate

January 21, 2009

TO: Michael Goldstein
Chair, Academic Senate

FR: Joseph Bristow
Chair, Council on Planning and Budget

RE: Response Regarding Regents Item J1 – Proposed Revenue Bond Issue

Dear Professor Goldstein:

The Proposed Revenue Bond Issue was distributed to Council members at our January 5th meeting. Due to the lack of appropriate time for discussion, members were asked to submit comments via email.

While CPB appreciates that seismic retrofitting is a matter of ongoing urgency across the UC system, the Council believes this is not the best time for the University to make a decision that has potentially long-term financial implications to its community. At the present time, when the University is suffering budget cuts of considerable magnitude, it is surely unwise to issue massive amounts of debt. Were seismic retrofitting an emergency matter, then the situation would obviously be different. In our view, any decision to approve the revenue bond issue should be deferred until the financial crisis in the State of California has been resolved. The prospect of spending \$2B when it remains unclear if the funding of the UC system will stabilize in the next few years is alarming.

Please feel free to contact me if you have any questions.



Joseph Bristow
Chair, Council on Planning and Budget

cc: Jaime Balboa, Chief Administrative Officer, Academic Senate
Robin Garrell, Vice Chair, Academic Senate
Linda Mohr, Assistant Chief Administrative Officer, Academic Senate