

OCT 20 1986

MEMORANDUM

TO: Bob Clawson  
RE: MU Net Revenue

Dick Frost recently forwarded three two documents to me and I thought you might want to see them.

President Hock's letter to Chancellor makes very clearly states that expenditure for current operating purposes is a proper charge against the facility revenues.

The second document shows that, on a prior occasion, the Regents approved use of surplus net revenues by UC Davis for operating expenses.

cc: T. Compton ✓

By: Therese Kolin  
Date: 10/17/86

File 7007

MPK

May 10, 1966

Handwritten initials and signatures, including "RN", "RWT", and "FW".

CHANCELLOR MARK:

Vice President Wellman has relayed to me your concern about authority to make certain expenditures in connection with the Student Union operation without having to obtain Regents' approval. I appreciate your concern in this matter and your desire for some flexibility in the use of funds generated as a result of the Memorial Union program. It is necessary, of course, to insure within the flexibility provided that we are complying with both the spirit and the letter of the bond indenture governing this operation and the equity of the bondholders is observed and protected.

We believe that adequate flexibility can be permitted within indenture requirements and established University-wide procedures governing indentured facilities. Article V, Revenues, of the Memorial Union indenture allows rather broad discretion in operations. You will note further that in Chief Accountant Gross' memorandum of October 20, 1965, "Revenue Bond Programs," Item VI, Flow of "Net Revenue" provides in part that "In the event of an operating deficit sustained by one or more facilities, the deficit is covered by a reversal of the flow of funds outlined above." This acknowledges the possibility that an interim transfer of net operating revenues may have to be netted against an operating deficit of a subsequent period. Accordingly, it does not appear that there should be a problem with respect to operating expenditures. Any proper and necessary expenditures for current operating purposes is a proper charge against available revenues of the facility. The only requirement is that net revenues from operations plus the student union fees and the incidental fees committed to the project (\$12.50 per student) be sufficient to meet the debt service requirements of the outstanding bonds. It is desirable also that net revenues and fees provide the approximate level of coverage proposed in the Statement of Essential Facts which advertised the bonds for sale. This latter aspect is particularly important if a future issue of bonds to expand the facilities is contemplated.

To provide flexibility for making non-operating expenditures, you are authorized to expend funds for extraordinary maintenance and repairs, equipment replacement or additions, and facility alterations if less than \$1,000 for each item. Expenditures are to be financed from the Memorial Union fees or the Incidental Fees (\$12.50 per student) pledged under the terms of the bond indenture. The accounting procedures for these transactions will be provided to your staff by the Chief Accountant. At the close of each quarter, the net operating revenues, the Memorial Union fees and the Incidental Fees collected during the quarter should be transferred to University-wide along with a list of expenditures for the aforementioned purposes. Proposed expenditures for items which will be \$1,000 or more per item should be submitted with appropriate justification to the Vice-President--Business and Finance for approval and appropriate funding.

May 10, 1966

We believe that these procedures will afford you adequate flexibility in operating the Memorial Union while still assuring our offices that the bond indenture conditions are honored.

/s/ C. J. Hitch  
Charles J. Hitch

cc: Vice President Wellman  
A. C. Small  
R. J. Frost ✓  
N. H. Gross  
S. A. Musser

A

- Approved
- Approved as amended
- Disapproved
- Deferred
- Withdrawn

Office of the President  
May 19, 1967

TO: THE REGENTS OF THE UNIVERSITY OF CALIFORNIA <sup>Modification to same</sup>

THE PRESIDENT'S BLUE REPORT (Supplemental)  
For Meeting of May 19, 1967

1. AGREEMENT WITH CITY OF DAVIS ON RUSSELL BOULEVARD IMPROVEMENTS

Recommendation: That, to carry out the intent of the November 18, 1966 action of The Regents in approving an agreement with the City of Davis for construction of improvements to Russell Boulevard, Davis, the Officers of The Regents be authorized to execute a grant of easement to the City of Davis for street and highway purposes over University property not to exceed one acre.

The November 18, 1966 action of the Board authorized the Secretary to execute the specified agreement, which included an agreement that the University would grant an easement for that portion of the improvements across University property.

The earlier action did not include specific authority for the Officers of The Regents to execute the easement document.

2. APPROPRIATION FROM THE GROUP A HOUSING NET REVENUE FUND ACCOUNT FOR RESIDENCE HALL 7B AT DAVIS

Recommendation: That \$95,461.75 be appropriated from the Group A Housing Net Revenue Fund Account to finance costs incurred under Series F for Residence Hall 7B, Davis, during the preliminary planning stages.

The Regents, at their March meeting, approved a request to amend in part the program of Series F in the Group A Housing System by deleting Residence Hall 7B, Davis, as a project in that Series and by replacing it with a Graduate Residence facility at a lower project cost. Prior to that action, costs in the amount of \$95,461.75 had been incurred for Residence Hall 7B, in connection with preliminary plans, working drawings, and architects' fees. In view of the change in scope and concept from a large undergraduate residence hall to a smaller graduate type facility, it would be improper to include these first developmental costs as an element of the project costs for the proposed Graduate Residence Hall. Therefore, this action is proposed in order to finance these charges of \$95,461.75 from the Net Revenue Fund Account as a development cost of the Housing System rather than a Series F construction cost. Funds are available in the Net Revenue Fund Account for this purpose.

3. ALLOCATION OF DAVIS MEMORIAL UNION SURPLUS NET REVENUES

Recommendation: That the President be authorized to allocate to Davis not more than \$80,000, during fiscal year 1967-68, from surplus net revenues of the Davis Memorial Union for the purpose of financing



extraordinary maintenance and equipment needs of the Memorial Union and for approved student activities not provided for in Davis' operating budget.

Davis' Memorial Union facilities are administered by the University, and any net revenues generated from all activities, plus those from Incidental Fees and Memorial Union Fees, are pledged, under the terms of the Bond Indenture, in order to satisfy the debt service requirements of the bond issue.

The Bookstore, when formerly administered by the Associated Students, provided a direct source of revenue to finance certain student activities. Recently the Bookstore was transferred to University control, and, in accordance with the Bond Indenture, all net revenues generated by this activity are automatically pledged to the Bond Debt Service of the Memorial Union. Fees and net revenues are in total more than adequate to meet annual debt service requirements. The campus, in order to continue certain student programs formerly financed from Bookstore revenues, has requested that an allocation of \$45,000 to finance proposed student programs be made from surplus net revenues as they become available during fiscal year 1967-68. In addition, a request for \$35,000 has been submitted to provide for extraordinary maintenance and equipment replacement for the Union during 1967-68. In order to comply with the terms of the Indenture, Davis' request for \$80,000 from available surplus revenue funds requires Regental approval.

Administrative guidelines have been established to ensure that debt service requirements will be met before any allocations are made from the Net Revenue fund to the campus. Also, proposed uses must not create any continuing commitments against pledged revenues. Based on estimates of fee receipts and net revenues, sufficient surplus funds will become available during 1967-68 to honor the Davis campus request of \$80,000 for maintenance and equipment needs and for student programs.

#### 4. MODIFICATION OF TERMS OF THE JOE SHOONG FOUNDATION SCHOLARSHIP FUND

Recommendation: That the terms of the Joe Shoong Foundation Scholarship Fund be amended to provide that the Fund be used for scholarship awards to undergraduate and graduate students at the Berkeley and San Francisco campuses of the University without regard to race, color, or place of national origin.

The Board of Directors of The Shoong Foundation has requested that the terms of the subject fund be amended as provided above. Currently, the provisions of the Fund include several limitations. The above recommendation will broaden the basis for granting the scholarships. The Chancellors of the Berkeley and San Francisco campuses concur in this recommendation.