

VI. UNIVERSITY PURCHASING AND PAYROLL

SOURCES OF UNIVERSITY REVENUE

UC San Diego is a significant economic force in San Diego County by virtue of its position as a major employer and a major purchaser of goods and services. The impact of the University on the local economy can be measured to some degree by the amount of revenue it collects from outside the region, revenue that is then used to finance spending on payroll and goods and services within the region. The more revenue UC San Diego collects from outside San Diego County, the greater the net contribution to the local and regional economies. Similarly, the more revenue UC San Diego collects from outside the state, the greater the net contribution to the California economy.

In FY 2006-07, University revenues totaled \$2.306 billion, of which approximately 45.9 percent came from sources outside of San Diego County. Approximately \$546.5 million in revenues from the Federal government accounted for the largest share of UC San Diego’s revenues from outside the County.

Table 10: UC San Diego Sources of Revenue, 2006-07

<u>Revenue Source</u>	<u>Total Revenue</u>	<u>Revenue from Outside San</u>	
		<u>Diego County</u>	<u>San Diego County</u>
State Appropriations	\$301,598,000	\$301,598,000	100.0%
Tuition and Fees	\$202,465,000	\$181,203,250	89.5%
Grants and Contracts			
<i>From Federal Government</i>	\$546,545,500	\$546,545,500	100.0%
<i>From State Government</i>	\$29,543,000	\$29,543,000	100.0%
<i>From Local Government</i>	\$147,715,000	\$0	0.0%
<i>From Private Sector</i>	\$14,771,500	\$0	N/A
Medical Center	\$659,469,000	\$0	0.0%
Educational Activities	\$204,164,000	\$0	0.0%
Auxiliary Enterprises	\$120,610,000	\$0	0.0%
Investment Income	\$22,384,000	\$0	N/A
Other Revenue Sources	\$56,930,000	\$0	0.0%
Total	\$2,306,195,000	\$1,058,889,750	45.9%

Notes: 87.8 percent of undergraduate and graduate students are from outside San Diego County; figures may not add due to rounding.

Sources: UC San Diego Annual Financial Report 2007, Financial Overview; and CBRE Consulting.

Other revenue sources originating from outside the County include State Financial and Educational Appropriations totaling \$301.6 million, \$29.54 million in State government grants and contracts, and \$181.2 million in tuition and fees. A vast majority of UC San Diego students originally come from outside San Diego County and a portion pay out-of-state tuition. A summary of UC San Diego’s revenues for FY 2006-2007 is included in Table 10, along with the estimated percentage share of each source of revenue generated from outside San Diego County.⁴⁸

⁴⁸ The share of tuition and fees from outside San Diego County was estimated using data on the home county of 2006 freshman registrants (their residence location before attending UC San Diego). The percentage of students with homes in California counties outside of San Diego was applied to the total in-state tuition revenue and was then added to total out-of-state tuition to get the estimated total share of tuition and fees from outside San Diego County.

UC SAN DIEGO SPENDING

The majority of the University’s spending is concentrated in San Diego County. In FY 2006-07, UC San Diego spent approximately \$2.492 billion on payroll, goods and services, and construction.⁴⁹ This total reflects expenditures made both in California as well as across the country. Approximately \$1.710 billion, or 68.6 percent, of this total was spent in San Diego County, as shown in Table 11. Since approximately 54.1 percent or \$1.247 billion, of the University’s revenue came from sources within the County, this means that UC San Diego made a net contribution of approximately \$469.0 million to the local economy. Put another way, the University spent \$1.37 in San Diego County for every dollar in revenue received from within the County.⁵⁰

Table 11: UC San Diego Spending, 2006-07

<u>Source</u>	<u>Total Spending</u>	<u>Spending Within San Diego County</u>	<u>Percent Spent in San Diego County</u>
Salaries & Wages	\$1,136,557,935	\$1,085,053,749	95.5%
Goods & Services	\$1,014,918,798	\$347,177,660	34.2%
Construction	\$340,658,118	\$278,127,035	81.6%
Total	\$2,492,134,851	\$1,710,358,444	68.6%

Sources: UC San Diego Campus Accounting, Medical Center Accounting, Office of Disbursements, Office of Academic Planning and Budget, BFS Payroll, and Office of Design and Construction; and CBRE Consulting.

Notes: Figures may not add due to rounding. Salaries and Wages exclude payments made to former UC San Diego employees.

EMPLOYMENT AND PAYROLL

Total Employment and Payroll

In FY 2006-07, UC San Diego paid \$1.137 billion in salaries, wages, and other pay to 26,920 employees.⁵¹ The payroll expenditures include salaries, wages, stipends, payouts of accumulated vacation time, and other forms of direct monetary compensation. In addition to the payroll expenditures cited in Tables 11 and 13, UC San Diego spent approximately \$116.7 million on retirement and health benefits in FY 2006-07, which is equal to 10.3 percent of all salary and wage payments.⁵² The indirect and induced economic impacts associated with these payments, including employment, personal income, and spending impacts, are discussed in detail in Chapter VII, Direct, Indirect, and Induced Impacts of UC San Diego.

⁴⁹ For the purposes of this analysis, payroll includes salaries, wages and irregular pay, such as stipends and pay-outs of accrued vacation and sick time. Payroll does not include employee health care, retirement, or other benefits.

⁵⁰ The amount of UC San Diego *spending* within San Diego County divided by the amount of *revenue* received from within San Diego County yields \$1.38. The numerator, \$1,710,358,444, is shown in Table 11. The denominator, \$1,247,305,250, is calculated from Table 10 (\$2,306,195,000 minus \$1,058,889,750).

⁵¹ Total UC San Diego employment of 26,920 represents the total payroll headcount including UC San Diego students employed by the university. Average monthly employment for Fiscal Year 2006-07 was 16,750, comprising an average of 15,500 non-student employees and 1,260 student employees. Full Time Equivalent (FTE) is used for the IMPLAN model rather than headcount.

⁵² Total payroll expenditures in Tables 11 and 13 are different because Table 13 excludes UC San Diego students who are employed by the university, whereas Table 11 accounts for the total payroll amount paid by UC San Diego, including student employees.

UC San Diego is the third largest employer in the City of San Diego, behind only the State and Federal governments. As shown in Table 12, the top ten employers in the City of San Diego in 2007 had a total of approximately 194,640 employees. UC San Diego accounted for 13.8 percent of total employment among the top ten City employers.

<u>Rank</u>	<u>Employer</u>	<u>Employees</u>	<u>Industry</u>
1.	State of California	40,600	State Government Administration
2.	Federal Government	39,900	Federal Government Administration
3.	UC San Diego	26,920	Higher Education
4.	County of San Diego	16,150	County Government Administration
5.	San Diego Unified School District	14,560	Public Education
6.	Sharp Healthcare	13,870	Healthcare Service Provider
7.	Scripps Health	12,200	Hospitals
8.	San Diego State University	11,250	Higher Education
9.	City of San Diego	11,200	Municipal Government Administration
10.	Qualcomm Inc.	8,010	Digital Wireless Communication
Total Top 10 City Employment:		194,640	

Source: San Diego Business Journal Book of Lists 2008.

Notes: Figures may not total due to rounding. Employee figures reflect total headcount, not full time equivalent employment, and include part-time employees. Figures are rounded to the nearest multiple of ten.

As shown previously, the University is also the third largest employer in San Diego County. The University's role as a major employer provides economic stability, as employment at UC San Diego is somewhat buffered from downturns in the local economy because most of the jobs are funded from non-local revenue sources that are not market-dependent.

Employment and Payroll by Area

In Fiscal Year 2006-07, UC San Diego employed an average of 15,500 non-student employees on a monthly basis. Table 13 shows the residence location of these employees in FY 2006-07, grouped by income range. A total of 10,390 employees, or about 67.1 percent, lived in the City of San Diego. A total of 4,410 University employees, comprising 28.4 percent, lived elsewhere in San Diego County, and another 580 employees, or 3.7 percent, lived elsewhere in California.

<u>Employees by Income Range</u>	<u>City of San Diego</u>	<u>Other San Diego County</u>	<u>Other California</u>	<u>Other U.S./ International</u>	<u>Total</u>
Less than \$35,000	2,296	1,026	166	22	3,510
\$35,000 - \$50,000	3,021	1,075	167	42	4,305
\$50,000 - \$75,000	2,492	1,084	138	31	3,745
\$75,000 - \$100,000	1,409	690	70	7	2,176
\$100,000 - \$150,000	780	368	29	10	1,187
\$150,000 or more	396	162	10	5	573
Total Employment	10,394	4,405	580	117	15,496
Total Payroll (Millions)	\$723.3	\$311.1	\$36.7	\$9.3	\$1,080.4

Source: UC San Diego Payroll Office.

Notes: Employment and payroll figures exclude UC San Diego students. Figures may not total due to rounding. Employment figures reflect full time equivalents. In addition to City of San Diego, Other San Diego County, and Other California, total employment summary statistics also include payroll of those living in Other U.S. areas.

Approximately 95.5 percent of payroll paid by UC San Diego in FY 2006-07 to non-student employees went to San Diego County residents. Of that, approximately \$723.3 million, or 67.1 percent, went to employees living in the City of San Diego. Approximately \$36.74 million, or 3.7 percent, was paid to employees living outside of the San Diego County region but within California. Only 0.8 percent of payroll went to employees living outside of California.

GOODS AND SERVICES PURCHASING AND CONSTRUCTION EXPENDITURES

In FY 2006-07, UC San Diego purchased \$1.015 billion worth of goods and services and spent roughly \$340.7 million on capital expenditures. Table 14 lists some examples of City of San Diego, San Diego County, and other California suppliers, vendors, and contractors to the University.

Table 14: Examples of Major UC San Diego Suppliers, 2006-07

<u>Supplier</u>	<u>FY Contract Amount</u>	<u>Service</u>	<u>Headquarters or Office Location</u>
Goods and Service Providers			
Department of General Services	\$21,054,989	Federal Government	Sacramento
Renaissance Agencies	\$12,767,326	Health Insurance Provider	Los Angeles
Apple Computer	\$10,664,138	Computer Equipment	Silicon Valley
San Diego Gas & Electric	\$7,110,666	Utilities Provider	San Diego
Fisher Scientific	\$6,207,668	Laboratory Supplies and Services	San Diego
Scripps Research Institute	\$5,473,684	Biomedical Research	San Diego
City of San Diego	\$4,421,998	Municipal Government	San Diego
Sysco Food Services	\$4,263,773	Food Services	San Diego
USE Credit Union	\$4,078,043	Credit Union	San Diego
La Jolla Village Professional Center	\$3,411,247	Office Space	San Diego
Construction-Related Service Providers			
Sundt Construction	\$42,724,140	General Contractor	San Diego
PCL Construction Services	\$25,512,281	General Contractor	San Diego
Swinerton Builders	\$25,414,558	General Contractor	San Diego
Douglas Barnhart Inc.	\$23,078,556	General Contractor	San Diego
McCarthy Building Companies	\$12,038,319	General Contractor	San Diego
RTKL Associates	\$4,811,322	Architecture & Engineering	Los Angeles
Turner Construction	\$4,217,031	General Contractor	San Diego
Marcotte & Hearne Builders	\$4,066,534	General Contractor	San Diego
Soltek Pacific	\$3,894,074	General Contractor	San Diego
Rudolph & Sletten	\$2,659,117	General Contractor	San Diego

Source: UC San Diego Accounting Services.

For the purposes of estimating economic impacts, UC San Diego spending related to capital improvements is broken into hard costs and soft costs. Hard costs refer to construction-related expenditures for labor, materials, and general contracting. Soft costs are payments to consultants for architectural, engineering, geotechnical, or other related services. A small percentage of soft costs are internal UC San Diego fees associated with the management of capital improvements.⁵³

Given the geographic specificity of construction projects, all hard construction costs were assumed to be spent within the City of San Diego. As seen in Chapter VII, Direct, Indirect, and Induced Impacts of UC San Diego, the IMPLAN multipliers used to assess the direct, indirect,

⁵³ According to the UC San Diego Office of Design and Construction, individual project soft construction costs for Fiscal Year 2006-07 are comprised of roughly 4.0 to 6.0 percent internal fees. The remaining costs represent consultant fees.

and induced impacts of construction spending take into account some geographic dispersion of hard and soft capital expenditures.

Soft costs associated with design consultants, which make up roughly 94.0 to 96.0 percent of all soft construction costs, are dispersed more widely since many of the consultants used for UC San Diego capital projects are located outside of San Diego County. Working with UC San Diego Design and Construction staff, it was estimated that 30.0 percent of construction soft costs were local to San Diego County. Of this 30.0 percent, 35.0 percent of consultants were found to be in the City and 65.0 percent were found to be within other areas of the County. Stated differently, 10.5 percent of all consultant costs were incurred within the City, and 19.5 percent were incurred in other areas of the County. Another 53.0 percent were found to occur in other California counties, while 18.0 percent were found to occur outside of the State.⁵⁴

Accounting for combined hard and soft construction spending, UC San Diego spent approximately \$340.7 million on capital expenditures in FY 2006-07. Table 15 summarizes the University’s spending on nine selected capital projects during the Fiscal Year, while the following paragraphs provide details on three of the projects currently underway or recently completed.

<u>Project</u>	<u>2006-07 Expenditures</u>
East Campus Graduate Housing	\$67,495,605
Price Center Expansion	\$40,427,509
Rady School of Management Facility Phase 1	\$40,362,913
Mayer Hall Renovations	\$29,643,657
Hopkins Parking Structure	\$27,810,435
San Diego Supercomputer Expansion	\$22,452,542
Cardio Center/Thornton Expansion	\$12,054,851
Music Building	\$10,240,174
Scripps Institution of Oceanography Storm Water Management	\$6,741,707
All Other Projects	\$83,428,725
Total	\$340,658,118

Sources: UC San Diego Office of Design and Construction; and CBRE Consulting.

UC San Diego Student Academic Services Building. This five-story, 101,000-square-foot facility with a 300-seat auditorium, conference facilities, retail space, and café was completed in August of 2007 by the local office of McCarthy Building Companies. The builder’s contract totaled \$30.00 million. The building was designed by renowned local architect Rob Wellington Quigley.

Completion of the Academic Services Building allowed several campus departments previously operating within severely outdated buildings to relocate to modern facilities. More importantly,

⁵⁴ The actual allocation of soft cost spending between other California counties (outside San Diego County) and other areas of the US (outside of California) were unavailable for this study. To allocate the 70.0 percent of soft costs spent between other California counties and areas outside of California, soft construction spending patterns from other UC campuses were analyzed and the proportions found were applied to the total spending dollars associated with UC San Diego soft costs.

the new facility addressed the need for these departments to be housed under one roof. Now that campus offices such as Admissions, Financial Aid, the Registrar, and the Office of Graduate Studies and Research are centrally located on campus, the speed and quality of student services is greatly improved.

UC San Diego Music Building. The 87,000-square-foot Conrad Prebys Music Center is scheduled to be complete in December of 2008. Its showcase will be a 400-seat recital hall designed by world renowned acoustic designer Cyril Harris. The facility will also boast a smaller, flexible auditorium for multimedia and music, a 150-seat lecture hall, and rehearsal rooms for chamber, choral, orchestral, and percussion music. The building will feature the newest technologies in student recording suites, computer music labs, practice rooms, and offices.

The local office of PCL Construction Services was awarded the \$44.80 million contract to build the facility. Their contract currently ranks 21st among the largest construction contracts in the City.⁵⁵ When the facility opens in 2009, it will present a range of concerts from classical music to innovative new works incorporating cutting-edge technologies. It will also be an education center, as budding musicians from San Diego schools will visit to attend concerts, clinics, and classes.

Rady School of Management. The June 1, 2007 dedication of Otterson Hall marked the end of Phase I of UC San Diego's graduate business management school construction. The 83,330-square-foot facility is comprised of roughly 50,000 square feet of classrooms, study rooms, faculty offices, executive education facilities, a career services office, and student support areas. The \$36.40 million construction contract was completed by PCL Construction Services of San Diego, while Ellerbe Becket was the architect. The University is currently working on designs for an 80,000-square-foot, \$30.00 million Phase II addition to Otterson Hall that will accommodate the growing enrollment at Rady School of Management.

Price Center Expansion. The 180,000-gross-square-foot Price Center Expansion endeavors to create a more communal neighborhood for the burgeoning campus population. The existing student center will expand by 100,500 net square feet expected to open in Fall 2008. This new space includes 63,800 square feet made up of a 24-hour lounge with computer lab and group study areas, food venues, retail service with indoor and outdoor seating areas, a ballroom, meeting spaces, offices for student organizations, and a student resource center. Additional program elements include a 22,700-square-foot bookstore expansion and grocery store, a 6,600-square-foot Cross Cultural Center, a 4,600-square-foot Alumni and Visitors Center, and a 2,800-square-foot Student Services Center. Finally, 54,000 square feet of existing space will be renovated. The project was designed by Cannon Design and construction is being undertaken by M.A. Mortenson. The budget is \$65.00 million.⁵⁶

East Campus Graduate Housing. The new 374,000-square-foot housing complex provided 800 new beds for the Mesa Housing area of East Campus. All units are two-bedroom units of approximately 740 square feet. The 8-acre site also includes 800 parking spaces. Studio E Architects of San Diego teamed with MVE Architects, a national architecture firm, to design the

⁵⁵ San Diego Business Journal Book of Lists 2008, December 31, 2007.

⁵⁶ Fdc.ucsd.edu/projects

residences. The San Diego office of Sundt Construction completed the \$66.00 million construction project, which opened in Fall 2007.⁵⁷

⁵⁷ Fdc.ucsd.edu/projects