



EXECUTIVE VICE PRESIDENT—
BUSINESS OPERATIONS

OFFICE OF THE PRESIDENT
Budget and Capital Resources
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March 27, 2014

CHANCELLOR KHOSLA

Dear Pradeep:

SIO Research Support Facilities
Project No. 962560

On March 27, 2014, the Presidential item (attached) for the Scripps Institute of Oceanography Research Support Facilities was approved. This approval increases the total project budget from \$6,648,000 to \$7,198,000 and changes the fund source of the \$5,735,000 in State lease revenue bonds to external financing serviced by State appropriations under the Assembly Bill 94 mechanism. Your Capital Improvement Budget dated March 21, 2014 is also approved.

The campus is hereby authorized to transfer \$550,000 in campus funds to the plant expenditure ledger (Account No. 962560). You may also reflect the external financing (\$5,735,000) in the campus plant expenditure ledger after the Capital Markets Finance Office (CMF) notifies you that funds are available. The campus should submit an updated drawdown schedule for the external financing to CMF at least 60 days in advance of when the funds are needed. The attached form shows the history of approvals, authorizations and appropriations for this project and defines the fund expiration dates for commitment and expenditure of all State appropriations.

Sincerely,

Patrick J. Lenz
Vice President for Budget and Capital Resources

Enclosures

cc: Vice Chancellor Matthews
Associate Vice President Wylie
Associate Vice President Kim
Acting Associate Vice Chancellor King
Director Fladd
Interim Director Santa Cruz
Senior Educational Facilities Planner Ross
Plant Accountant Ste Marie

March 24, 2014

**ACTION UNDER PRESIDENT'S AUTHORITY – AMENDMENT TO BUDGET AND
APPROVAL OF EXTERNAL FINANCING, SCRIPPS INSTITUTION OF OCEANOGRAPHY
RESEARCH SUPPORT FACILITIES, SAN DIEGO CAMPUS**

EXECUTIVE SUMMARY

The approved Scripps Institution of Oceanography (SIO) Research Support Facilities project will construct approximately 21,300 assignable square feet (ASF) of research support space to support the sea-going and remote location research programs of SIO. This replacement space is designed to provide a flexible environment that will allow researchers to stage and test their equipment prior to it being loaded for transport. In addition, these facilities will provide some storage space for several active research programs. This project also provides much-needed road improvements for access to existing and planned support facilities in Seaweed Canyon.

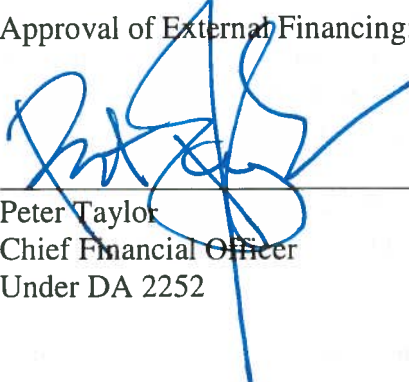
This item requests approval of a budget increase of \$550,000, to be funded with campus funds, needed to address unexpected contaminated soil and debris. This will be the second augmentation for the project resulting in a cumulative augmentation of \$850,000, a 13.4 percent increase from the original approved budget of \$6,348,000. Approval of this augmentation would revise the total project budget to \$7,198,000.

Additionally, this item requests approval to change the source of the financing for construction funds. In November 2012, interim financing for \$5,735,000 of construction funding, plus related interest expense and financing costs, was Presidentially approved to be repaid by a future State lease revenue bond sale. This action will change the \$5,735,000 of interim financing to external financing. The change in the capital funding mechanism authorized under Assembly Bill 94 (AB 94) now provides the University the opportunity to finance the remaining construction utilizing State appropriations as the repayment source. The proposed action requests approval of external financing, supported by State appropriations, using the funding mechanism established under AB 94, in order to complete the funding change.

The project is currently in the final stages of construction and the campus anticipates the project to be complete in April 2014.

*AMENDMENT TO BUDGET AND APPROVAL OF EXTERNAL FINANCING,
SIO RESEARCH SUPPORT FACILITIES, SAN DIEGO CAMPUS*

Approval of External Financing:



3.26.14

Peter Taylor
Chief Financial Officer
Under DA 2252

Date

AMENDMENT TO BUDGET AND APPROVAL OF EXTERNAL FINANCING,
SIO RESEARCH SUPPORT FACILITIES, SAN DIEGO CAMPUS

BACKGROUND

The approved SIO Research Support Facilities project would support the sea-going and remote location research programs of the Scripps Institution of Oceanography (SIO). The project would construct 21,300 ASF of research support space. This replacement space is designed to provide a flexible environment that would allow researchers to stage and test their equipment prior to it being loaded for transport. In addition, these facilities would provide some storage space for several active research programs. This project also would provide much-needed road improvements for access to the existing and planned support facilities in Seaweed Canyon.

The approved budget for the project is \$6,648,000 consisting of State general obligation bonds (\$613,000), State lease revenue bonds (\$5,735,000), and campus funds (\$300,000). This budget includes a previously approved augmentation of \$300,000. This was administratively approved in December 2012. Additionally, in November 2012, interim financing for \$5,735,000 for construction funding, plus related interest expense and financing costs, was approved to be repaid by future State lease revenue bond sale.

The project is currently in construction and is approximately 85% complete. The campus anticipates project completion in April 2014. The project is within scope.

Budget Augmentation

Soils tests early in construction revealed that a larger-than-anticipated portion of the soil was contaminated, requiring its removal to specialized disposal facilities. A share of this contaminated soil contained hazardous materials such as lead which required disposal out of state. Additionally, a significant amount of unexpected asphalt, metal and concrete debris was encountered during site excavation. The debris required dismantling and removal from site in order for construction to proceed. Excavation continued throughout the construction phase. The cost to mitigate unexpected contaminated soils and site debris exceeded the originally allocated budget for these items. An increase to the budget of \$475,000 is needed to address soil and debris disposal.

Also, an existing loading dock is impacted by the project, as a result of the new equipment staging area and storm water management system. The original design solution for the loading dock needs to be revised. The cost associated with the design and implementation of the revised solution is estimated to cost \$75,000, resulting in a total budget increase of \$550,000.

The contingency has been reduced by \$207,000, which was used for the nominal increases associated with building construction, exterior utilities, and site development for the project. The \$45,000 remaining in contingency is appropriate, given that the project is nearing completion.

The requested augmentation amount of \$550,000 will be funded with campus funds (specifically from SIO resources that can be used for capital projects), and represents an 8.3 percent increase from the current approved budget. If approved, this will not be the first augmentation for the project. In

*AMENDMENT TO BUDGET AND APPROVAL OF EXTERNAL FINANCING,
SIO RESEARCH SUPPORT FACILITIES, SAN DIEGO CAMPUS*

December 2012, this project received an augmentation of \$300,000. Cumulatively, the requested budget increases total \$850,000, a 13.4 percent increase from the original approved budget of \$6,348,000.

The augmentation will increase the total project budget to \$7,198,000 to be funded from State general obligation bonds (\$613,000), external financing serviced by State appropriations under the AB94 mechanism (\$5,735,000), and campus funds (\$850,000). A summary of the proposed project budget is provided in Attachment 1, and the revised funding plan is provided in Attachment 2.

Change in Financing

The item seeks approval to change the source of funding for the \$5,735,000 of interim financing to external financing, with debt supported by State appropriations using the funding mechanism established under Assembly Bill 94 (AB94). The interim financing was approved in October 2012 in place of State lease revenue bonds, pending subsequent bond sale, in order for the project to move forward into construction. The project, however, was never included in a lease revenue bond sale.

At the July 2013 meeting, the Regents authorized the University to restructure existing State Public Works Board (SPWB) debt issued on behalf of the University under the UC's general revenue bond credit. The retirement of SPWB bonds in October 2013 has necessitated the request for change in the financing source for this project. With the funding flexibility provided under AB 94, the \$5,735,000 for construction funds are now proposed to be financed with the University's general revenue bonds (serviced by State appropriations).

Environmental Impact Summary

Potential environmental effects of the minor changes discussed above are adequately addressed in the Mitigated Negative Declaration for the SIO Research Support Facilities project adopted by the Chancellor in December 2011 in conjunction with approval of project design.

Schedule

The project is currently in the final stages of construction and the campus anticipates the project to be complete in April 2014.

ATTACHMENTS:

Attachment 1: Project Budget

Attachment 2: Funding Plan

Attachment 3: Previous and Related Actions

**PROJECT BUDGET
CCCI 5732**

Cost Category	Approved Budget December 2012	Augmentation Request	Proposed Budget March 2014	% of Total
Site Clearance	\$ 237,000	\$438,000	\$ 675,000	9.4%
Building Construction	3,024,000	138,000	3,162,000	43.9%
Exterior Utilities	498,000	20,000	518,000	7.2%
Site Development	1,826,000	60,000	1,886,000	26.2%
A/E Fees	420,000	55,000	475,000	6.6%
Campus Administration	179,000	21,000	200,000	2.8%
Surveys, Tests	91,000	25,000	116,000	1.6%
Special Items ¹	121,000	-	121,000	1.7%
Contingency	252,000	(207,000)	45,000	0.6%
<i>Total</i>	<i>\$6,648,000</i>	<i>\$550,000</i>	<i>\$7,198,000</i>	<i>100.0%</i>
Group 2&3 Equipment	0	0	0	
Total Project Cost	\$6,648,000	\$550,000	\$7,198,000	

Project Statistics	Dec 2012	March 2014
GSF	24,500	24,500
ASF	21,300	21,300
Efficiency Ratio ASF/GSF	87%	87%
Building Cost/GSF	\$123.43	\$129.06
Project Cost/GSF ²	\$271.35	\$293.80

¹ Does not include assumed capitalized interest, which will be funded with proceeds from UC external financing.

² The conditions of the site required substantial costs in Site Development and Utilities, resulting in a higher project cost per GSF for a project of this type and size.

**FUNDING PLAN
SIO RESEARCH SUPPORT FACILITIES**

	Approved November 2010	Approved December 2012	Proposed March 2014	Change from Last Approved
Funding Sources				
State LRB	\$5,735,000	\$5,735,000	-	(\$5,735,000)
State GO	\$613,000	\$613,000	\$613,000	-
External Financing*^	-	-	\$5,735,000	\$5,735,000
Campus Funds	-	\$300,000	\$850,000	\$550,000
Total	\$6,348,000	\$6,648,000	\$7,198,000	\$550,000
Funding Schedule				
Preliminary Plans	\$276,000	\$276,000	\$276,000	-
Working Drawings	\$337,000	\$337,000	\$337,000	-
Construction*	\$5,735,000	\$6,035,000	\$6,585,000	\$550,000
Total	\$6,348,000	\$6,648,000	\$7,198,000	\$550,000

*Plus related interest expense and financing costs

^ Serviced by State appropriations under the AB 94 mechanism

PREVIOUS AND RELATED ACTIONS

- November 2009: Approval of 2010-2011 State Budget for Capital Improvements including preliminary plans and working drawings funding for SIO Research Support Facilities.
- November 2010: Approval of 2011-12 State Budget for Capital Improvements including construction funding for SIO Research Support Facilities.
- December 2011: Design approval and adoption of mitigated negative declaration.
- November 2012: Presidential approval of interim financing for Construction phase funding.
- December 2012: Administrative approval to increase the budget by \$300,000 with campus funds.

University of California - Office of the President
 Vice President for Budget and Capital Resources
 Capital Project Authorizations and Approvals

CAMPUS San Diego
 PROJECT NAME SIO Research Support Facilities
 ACCOUNT NO. 962560
 CURRENT ACTION *Authorization to transfer construction funds*

Date of Accompanying Letter 3/27/2014

Approvals and Authorizations

<u>Authority / Action</u>	<u>Date</u>	<u>Budget</u>
The Regents Approval of project and budget	11/2009	\$6,127,000 Source: \$613,000 State GO Bond \$5,514,000 State Lease Revenue Bond
The Regents Approval of project and budget	11/2010	\$6,348,000 Source: \$613,000 State GO Bond \$5,735,000 State Lease Revenue Bond
The Vice President for Budget and Capital Resources Approval of budget augmentation	12/2012	\$6,648,000 Source: \$613,000 State GO Bond \$5,735,000 State Lease Revenue Bond \$300,000 Campus
The President Approval of budget augmentation and authorization for external financing	3/2014	\$7,198,000 Source: \$613,000 State GO Bond \$5,735,000 State Lease Revenue Bond \$850,000 Campus

Plan Approvals

<u>Action</u>	<u>Date</u>	<u>Authority</u>
Approval of preliminary plans, authorization to release working drawings funds	2/10/2012	State Public Works Board
Approval of working drawings, authorization to release to bid	8/2/2012	Department of Finance
Approval of bid tab, authorization to award and release construction funds	12/19/2012	Department of Finance

PPG and CIB

	<u>Date</u>	<u>CCCI</u>	<u>EPI</u>
ORIGINAL PPG:	6/26/2009	5565	N/A
CURRENT CIB:	3/21/2014	5732	N/A

University of California - Office of the President
Vice President for Budget and Capital Resources
Capital Project Authorizations and Approvals

Funding Schedule

Phase	Amount	Source	Bond	State Budget		Statutes of (Year)	Item No.	Fund No.
				Act	Chapters			
P	\$276,000	State GO Bond	HECOB 1996	2010	712	2010	6440-301-0658 (1)	00800
P	(same)	Reappropriation	HECOB 1996	2011	33	2011	6440-492	00800
W	\$337,000	State GO Bond	HECOB 1996	2010	712	2010	6440-301-0658 (1)	00800
W	(same)	Reappropriation	HECOB 1996	2011	33	2011	6440-492	00800
C	\$5,735,000	External Financing	State LRB	2011	33	2011	6440-301-0668 (1)	00810
C	(same)	Reappropriation	State LRB	2012	21	2012	6440-491	00810
C	\$850,000	Campus	--	--	--	--	--	--
Total	\$7,198,000							

Authorization for the Transfer of Funds

Phase	Amount	Source	Bid Package	Transfer to:	Transfer to:	Bid by	*Committed by	Liquidated by
				Unallocated Balances	Plant Expenditure Ledger			
P	\$276,000	State GO Bond	--	--	11/30/2011	--	6/30/2012	6/30/2014
W	\$337,000	State GO Bond	--	11/30/2011	2/15/2012	--	6/30/2012	6/30/2014
C ^(a)	\$5,735,000	State Lease Revenue Bond	--	--	12/19/2012	6/30/2013	6/30/2015	6/30/2017
C ^(a)	(\$5,735,000)	State Lease Revenue Bond	--	--	12/19/2012	6/30/2013	6/30/2015	6/30/2017
C	\$5,735,000	External Financing	--	--	3/27/2014			
C	\$300,000	Campus	--	--	12/19/2012	--	--	--
C	\$550,000	Campus	--	--	3/27/2014			

*For State construction and equipment funds this date represents 'Under Contract'

(a) This is being funded with interim financing, to be reimbursed when the State sells lease revenue bonds.

