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November 14, 2008

**ACTION UNDER PRESIDENT'S AUTHORITY - AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENT AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING, CRUESS HALL DEFERRED MAINTENANCE PROGRAM, DAVIS CAMPUS**

It is recommended that:

**Pursuant to Standing Order 100.4(q)**

- (1) The President amend the 2008-09 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Davis: Cruess Hall Deferred Maintenance Program -- preliminary plans, working drawings, and construction - \$5,700,000 to be funded from external financing.

**Pursuant to Standing Order 100.4(nn)**

- (2) The President approve external financing not to exceed \$5,700,000 to finance the Cruess Hall Deferred Maintenance Program, subject to the following conditions:
  - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
  - b. The Davis campus' share of the University Education Fund shall be maintained in amounts sufficient to pay debt service and to meet the related requirements of the authorized financing; and
  - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents be authorized to execute all documents in connection with the above.

## DESCRIPTION

The Davis campus requests approval of \$5,700,000 from external financing for the Cruess Hall Deferred Maintenance Program. These funds are needed to repair the heating, ventilation, and air conditioning system, electrical system, plumbing system, and roofing and exterior system in Cruess Hall.

### *Background*

Cruess Hall, constructed in 1952, is located on the core campus and comprises 56,000 gross square feet. This facility supports laboratory-based research and instructional programs in Food Science and Technology. With capital budgets constrained, the campus has deferred renewal of the building's HVAC, electrical, plumbing, and roofing and exterior systems. These systems are now beyond their useful life and are in critical need of repair or replacement to return the building to normal operation and to prevent accelerating deterioration.

Prior to fall 2008, the Department of Food Science and Technology occupied about half of Cruess Hall. During fall 2008, the Department is relocating to the recently completed Robert Mondavi Institute building, vacating several wet-bench laboratory rooms, faculty and administrative offices, and conference rooms. Campus space plans call for non-laboratory academic programs in Humanities, Arts, and Cultural Studies to relocate into these spaces from 40-year-old temporary buildings scheduled for demolition and from off-campus leased facilities.

The remainder of Cruess Hall is occupied primarily by the Food Science Pilot Plant program. The Food Science Pilot Plant program would relocate to the planned Brewery, Winery, and Food Science Laboratory, expected to be completed in 2010. At that time, non-laboratory programs would relocate into the available space in Cruess Hall.

### *Project Description*

The proposed Cruess Hall project would address the highest priority deferred maintenance needs for the HVAC, electrical and telecommunications, plumbing, and roofing systems. Project elements include installation of variable volume controls and new fan motors for the air handling system, replacement of obsolete electrical panels, upgraded lighting equipment and controls, new water valves and plumbing fixtures, and a new single-ply roof. The project would remove laboratory benches and casework, with appropriate abatement of hazardous materials as needed. The project would also include accessibility improvements and upgrades of the fire and life safety system to comply with applicable building codes. Project improvements would focus on the spaces being vacated by the Department of Food Science and Technology. During preliminary design, the campus would look for opportunities to leverage project funds and extend deferred maintenance improvements to the building space currently occupied Food Science Pilot Plant program.

The project is expected to extend the life of the plumbing and roofing systems by 25 to 30 years, the electrical system by approximately 20 to 25 years, and HVAC system components by 15 to 25 years.

***Policy on Sustainable Practices***

This deferred maintenance project will comply with the *University of California Policy on Sustainable Practices*. As required by this policy, the project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements.

***CEQA Classification***

Prior to approving the proposed project, the University, through the delegation of authority to the UCD Chancellor, will ensure compliance with the California Environmental Quality Act and University Guidelines for implementation of CEQA, as amended.

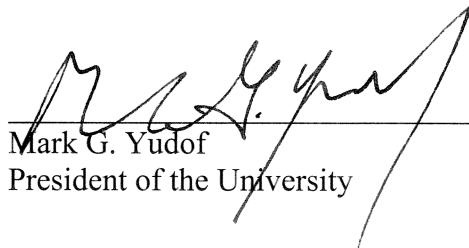
***Financial Feasibility***


The Cruess Hall Deferred Maintenance Program total cost of \$5,700,000 would be funded from external financing. Based on long-term debt of \$5,700,000 amortized over 15 years at 5.50 percent, the estimated annual debt service would be \$568,000.

The University Education Fund Debt Repayment Policy requires that campuses meet two financial tests: (1) that the amount of projected maximum annual debt payments payable from the campus' Education Funds shall not exceed 65 percent of the campus' total Education Funds allocated each year, and (2) that no more than 33 percent of the campus' total Education Funds allocated each year are used for debt service payment. The Davis campus meets both tests. In fiscal year 2010-11, the first full year of principal and interest for the project, 15.7 percent of the campus' total Education Funds allocation would be applied to debt service. The external financing will be paid from revenue sources specified in the external financing documents; therefore, the general credit of The Regents will not be pledged.

Additional financial feasibility information is shown in Attachment 1.

Approved by:

  
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Mark G. Yudof  
President of the University

  
\_\_\_\_\_  
Date

Attachment

**SUMMARY FINANCIAL FEASIBILITY ANALYSIS**

**Project Title:** Cruess Hall Deferred Maintenance Program

**Total Estimated Program Cost:** \$5,700,000

**Proposed Source of Funding:**

External Financing \$5,700,000

**Projected Financing Terms:**

Interest rate: 5.50 %

Duration: 15 years

**Davis Campus Education Fund Information (FY 2011-12) <sup>(1)</sup>:**

**Estimated Education Fund Debt Service:** \$16,231,000

Proposed Debt \$568,000

Existing Approved Debt Service \$1,988,000

Total \$2,556,000

**% Education Fund Allocated for Debt Service** 15.7%

**Debt Service Coverage** 6.4X

<sup>(1)</sup> First full year of debt payments