

**POLICY ON USE OF THE UNIVERSITY OPPORTUNITY FUND
AND THE UNIVERSITY EDUCATION FUND IN CONNECTION WITH
STANDBY, INTERIM AND EXTERNAL FINANCING**

UNIVERSITY OPPORTUNITY FUND

Use of the University Opportunity Fund as a pledged repayment source for standby, interim and external borrowing incurred in connection with the acquisition, construction, or renovation of any project, including those projects financed under Section 15820.21 of the Government Code (i.e., the Garamendi projects), shall be subject to the following limitations:

- (1) In any fiscal year, the ratio of the sum of the aggregated debt service pledged for all such projects at a given campus (together with the costs of operation and maintenance for its Garamendi projects) to the University Opportunity Funds allocated to that campus from Federal contracts and grants, including provision for incremental indirect cost recovery attributable to its Garamendi projects shall not exceed 65%. A description of the calculation methodology is attached.

The pledge ratio (maximum 65%) is to be calculated for the current fiscal year, and projected annually to show compliance through the fiscal year that has the maximum pledge ratio.

- (2) No more than 33.33% of the annual campus University Opportunity Fund allocation shall be used to pay debt service on projects which have been externally financed.

The payment ratio (maximum 33.33%) is to be calculated annually based on actual use of University Opportunity Funds for debt service.

All proposals seeking authorization for external financing for a project where the University Opportunity Fund would be a pledged source of debt repayment shall demonstrate in its feasibility analysis that the campus is in compliance with the above limitations.

UNIVERSITY EDUCATION FUND

Use of the University Education Fund as a pledged repayment source for standby, interim and external borrowing incurred in connection with the acquisition, construction, or renovation of any project, shall be subject to the following limitations:

- (1) In any fiscal year, the ratio of the sum of the aggregated debt service pledged for all such projects at a given campus to the University Education Funds, including clinical trials income, allocated to that campus from its private contracts and grants shall not exceed 65%. A description of the calculation methodology is attached.

The pledge ratio (maximum 65%) is to be calculated for the current fiscal year, and projected annually to show compliance through the fiscal year that has the maximum pledge ratio.

- (2) No more than 33.33% of the annual campus University Education Fund allocation, including clinical trials, shall be used to pay debt service on projects which have been externally financed.

The payment ratio (maximum 33.33%) is to be calculated annually based on actual use of University Education Funds for debt service.

All proposals seeking authorization for external financing for a project where the University Education Fund would be a pledged source of debt repayment shall demonstrate in its feasibility analysis that the campus is in compliance with the above limitations.

PLEDGE RATIO CALCULATION

Opportunity Funds Pledge Test: ¹

Pledged DS for non-Garamendi Projects (approved and proposed) + Pledged Garamendi DS + Garamendi OMP

Opportunity Funds Allocation to Campus + Garamendi DS + Garamendi OMP ²

Education Funds Pledge Test: ¹

Debt Service Pledged for Projects (approved and proposed)

Education Funds Allocation + Clinical Trials Income Allocation to Campus

Notes:

- (1) UCOP will provide the maximum annual growth rates for the projection of Opportunity Funds and Education Funds.
- (2) Garamendi debt service and OMP in the denominator of the Opportunity Fund pledge test cannot exceed the amount in the numerator.