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December 13, 2013

**CHAIRMAN OF THE BOARD
CHAIR OF THE COMMITTEE ON FINANCE
PRESIDENT OF THE UNIVERSITY**

**ACTION BY CONCURRENCE – AMENDMENT TO BUDGET AND APPROVAL OF
EXTERNAL FINANCING, ENVIRONMENTAL HEALTH AND SAFETY EXPANSION,
RIVERSIDE CAMPUS**

EXECUTIVE SUMMARY

The Environmental Health and Safety Expansion (EH&S) building will provide 17,838 assignable square feet (asf) (29,125 gross square feet [gsf]) to accommodate: EH&S administrative offices and support space; a safety training/learning center; wet laboratories; building support space; and facilities for the receipt, handling and disposal of hazardous waste materials.

The approved budget is \$19.44 million, consisting of State general obligation bonds (\$400,000), State lease revenue bonds (\$16,619,000), future State funds (\$369,000) to be requested in 2015-16, and campus funds (\$2,052,000).

For State funds, the campus has received \$400,000 in State general obligation bonds and \$635,000 in excess State lease revenue bond proceeds from a non-UC project. The State, heretofore, had not included the project in a lease revenue bond sale and, therefore, the remaining \$15,984,000, which had been approved for construction, was not issued to the campus for expenditure.

This item requests approval to change the source of the remaining \$15,984,000 of State lease revenue bonds to external financing. The change in the capital funding mechanism authorized under AB 94 (which permits the University to use a limited portion of its State General Fund allocation to finance State-eligible capital projects), now provides the University the opportunity to finance the remaining construction utilizing State appropriations as the repayment source. The proposed action requests Regents' approval of external financing (with State appropriations as the repayment source) in order to complete the funding change. This remaining funding is needed in order for the campus to solicit bids.

*AMENDMENT TO BUDGET AND APPROVAL OF EXTERNAL FINANCING,
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RECOMMENDATION

The President recommends, subject to concurrence of the Chairman of the Board and the Chair of the Committee on Finance, that she be authorized to:

1. Amend the 2013-14 Budget for Capital Improvements and the Capital Improvement program as follows:
 - From: Riverside: Environmental Health and Safety Expansion – preliminary plans, working drawings, construction, and equipment - \$19.44 million to be funded from State general obligation bonds (\$400,000), State lease revenue bonds (\$16,619,000), proposed future State funds (\$369,000) and campus funds (\$2,052,000).
 - To: Riverside: Environmental Health and Safety Expansion – preliminary plans, working drawings, construction, and equipment - \$19.44 million to be funded from State general obligation bonds (\$400,000), State lease revenue bonds (\$635,000), external financing (\$15,984,000), proposed future State funds (\$369,000) and campus funds (\$2,052,000).
2. Obtain external financing not to exceed \$15,984,000 (plus related interest expense and financing costs) for the Project. The President shall require that:
 - A. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - B. The primary source of repayment of the requested additional external financing of \$15,984,000 plus related interest expense and financing costs shall be from State appropriations.
 - C. The general credit of the Regents shall not be pledged.
3. Execute all documents necessary in connection with the above.

BACKGROUND

This item is seeking approval to change the source of funding for the \$15.984 million of State lease revenue bonds to external financing. The proposed actions provide the necessary authority to modify the funding source and obtain external financing to be repaid with State appropriations. This project cannot move forward until the financing is available.

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Statement of Need and Project Description

The existing EH&S facility and site have several physical constraints, which at the time of occupancy in 1989 were within acceptable thresholds for hazardous materials handling. Since 1989 the campus' science and engineering related facilities have grown from 1,236,647 gsf to 2,425,149 gsf currently (96-percent increase). This growth, coupled with more stringent waste management regulatory requirements, has resulted in functionally compromised conditions, including inappropriate waste handling areas and service yard, and inadequate separation between office functions and material waste handling areas. The proposed EH&S building at the new location addresses these issues.

The Environmental Health and Safety Expansion building will provide approximately 17,838 asf of space (29,125 gsf) to accommodate: EH&S administrative offices and support space; a safety training/learning center; wet laboratories; building support space; and facilities for the receipt, handling and disposal of hazardous waste materials. The outdoor service yard, screened from public view by an eight-foot fence along the main access road, will accommodate cargo containers, an emergency trailer, portable storage containers, and service vehicle parking. This new facility will allow release of the existing facility occupied by EH&S to address instruction, research, and storage needs.

Total Project Budget and Funding

The total project cost of \$19.44 million was approved to be funded from State general obligation bonds (\$400,000), State lease revenue bonds (\$16,619,000), proposed future State funds (\$369,000), and campus funds (\$2,052,000).

The \$16,619,000 of State lease revenue bonds appropriated for the project is for the funding of working drawings and construction. In May 2012, the campus received \$635,000 in proceeds from lease revenue bonds, which were excess proceeds from a non-UC project, for the funding of working drawings. The remaining \$15,984,000 was proposed to be funded from State lease revenue bonds once a sale occurred, which has not taken place to date. With the funding flexibility provided under AB 94, the remaining \$15,984,000 for construction funds are now proposed to be financed from the University's general revenue bonds (to be repaid with State appropriations). The University intends to propose State funding for Equipment (\$369,000) in the 2015-16 Budget Act if General Obligation Bonds are available. The University currently has projects funded with 1996 and 2006 General Obligation Bonds that anticipate having project savings that would be used to fund equipment. If the project savings are not realized, the campus will commit to finding alternative sources to fund the \$369,000 and will amend the budget accordingly. A summary of the (unchanged) project budget is provided in Attachment 1, and the revised funding plan is provided in Attachment 2.

Schedule

The project has completed working drawings and is ready to bid. With this approval, the campus would anticipate the start of construction in March 2014 and completion in June 2015.

**AMENDMENT TO BUDGET AND APPROVAL OF EXTERNAL FINANCING,
ENVIRONMENTAL HEALTH AND SAFETY EXPANSION, RIVERSIDE CAMPUS**

Approved:



Janet Napolitano
President of the University

12-18-13

Date

Concurrence:



Bruce D. Varner
Chairman of the Board of Regents

12-19-2013

Date

Frederick Ruiz
Chair of the Committee on Finance

Date

ATTACHMENTS

- Attachment 1: Project Budget
- Attachment 2: Funding Plan

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Approved:



Janet Napolitano
President of the University

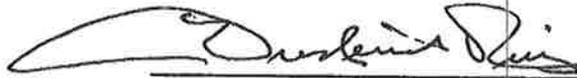
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Concurrence:

Bruce D. Varner
Chairman of the Board of Regents

Date



Frederick Ruiz
Chair of the Committee on Finance

12-19-13

Date

ATTACHMENTS

Attachment 1: Project Budget

Attachment 2: Funding Plan

ATTACHMENT 1

PROJECT BUDGET
As Approved August 2012

CCCI 5179

Cost Category	Amount	% of Total
Site Clearance	\$358,000	1.9%
Building	11,807,000	61.9%
Exterior Utilities	1,534,000	8.0%
Site Development	1,699,000	8.9%
A/E Fees	1,210,000	6.3%
Campus Administration	655,000	3.4%
Surveys, Tests	136,000	0.7%
Special Items ¹	902,000	4.7%
Contingency	<u>770,000</u>	<u>4.0%</u>
<i>Total</i>	\$19,071,000	100%
Group 2 & 3 Equipment	369,000	
Total Project Cost	<u>\$19,440,000¹</u>	

Project Statistics

GSF	29,125
ASF	17,838
Efficiency Ratio ASF/GSF	61%
Building Cost/GSF	\$405
Project Cost ² /GSF	\$655

¹ Does not include assumed capitalized interest of \$698,000 which will be funded with proceeds from UC external financing.

² Excludes Group 2 & 3 Equipment.

**FUNDING PLAN
ENVIRONMENTAL HEALTH AND SAFETY EXPANSION**

	<u>Approved Nov 2004</u>	<u>Approved Sept. 2007</u>	<u>Approved Aug 2012</u>	<u>Proposed Dec 2013</u>	<u>Change from Last Approved</u>
Funding Sources					
State LRB	-	\$16,619,000	\$16,619,000	\$ 635,000	(\$15,984,000)
State GO	\$11,964,000	\$769,000	\$769,000	\$769,000	-
External Financing*	-	-	-	\$15,984,000	\$15,984,000
Campus Funds	-	\$1,082,000	\$2,052,000	\$2,052,000	\$2,052,000
TOTAL	\$11,964,000	\$18,470,000	\$19,440,000	\$19,440,000	-
Funding Schedule					
Preliminary Plans	\$400,000	\$400,000	\$400,000	\$400,000	-
Working Drawings	\$600,000	\$850,000	\$1,050,000	\$1,050,000	-
Construction	\$10,614,000	\$16,851,000	\$17,621,000	\$17,621,000	-
Equipment	\$350,000	\$369,000	\$369,000	\$369,000	-
TOTAL	\$11,964,000	\$18,470,000	\$19,440,000	\$19,440,000	-

***Plus related interest expense and financing costs**