



1111 Franklin Street  
Oakland, CA 94607-5200  
Phone: (510) 987-9074  
Fax: (510) 987-9086  
<http://www.ucop.edu>

April 30, 2012

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

**ACTION BY CONCURRENCE – AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING, 2010-12 STATEWIDE ENERGY PARTNERSHIP PROGRAM, IRVINE CAMPUS**

**EXECUTIVE SUMMARY**

In March 2009, the Regents approved the Statewide Energy Partnership Program (“Program”) for a total program cost of \$247,367,204. At that time the Program included over 900 energy efficiency projects at the campuses and medical centers.

In September 2010, the Regents approved a project scope and budget augmentation of \$15,241,675 to include additional projects on the Davis and San Francisco campuses for a total program budget of \$262,608,879.

The Program is now well into its last year of the three-year program. As of December 31, 2011, approximately 570 projects have been, or are in the process of being, implemented at a cost of slightly above \$200,000,000, with approximately \$62,000,000 remaining in Regentally approved authority for projects being originated and completed before December 31, 2012. Program funding is appropriated on a campus-specific basis, and campuses have verified the need for the remaining funds in order to complete their remaining energy efficiency projects.

The Irvine campus has identified additional energy efficiency projects that meet the criteria for inclusion in the Irvine campus Statewide Energy Partnership activities, and is requesting an additional \$16,888,000 to be funded from external financing (\$12,284,200), energy efficiency payments from investor-owned utilities (\$4,136,800), and campus funds (\$467,000). The impact of the augmentation to the total Statewide Energy Partnership Program to fund the Irvine projects will be partially offset by reductions in previously approved budget and external financing of \$800,000 from the Berkeley campus and \$4,003,085 from the San Francisco campus, resulting in a net new Program budget of \$274,693,794, with total external financing of \$201,195,398,

*AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING, 2010-12 STATEWIDE ENERGY PARTNERSHIP PROGRAM, IRVINE CAMPUS*

energy efficiency incentive payments from investor-owned and publicly-owned utilities of \$65,114,450, and campus funds of \$8,383,946.

This item seeks approval for: (1) the budget augmentation for the Irvine campus of \$16,888,000 for 39 additional energy efficiency projects at the Irvine campus, to be funded from: external financing (\$12,284,200), energy efficiency payments from investor-owned utilities (\$4,136,800), and campus funds (\$467,000); (2) an increase of external financing of \$12,284,200, and an increase of standby financing of \$4,136,800 for the Irvine campus; and (3) a decrease of external financing of \$800,000 from the Berkeley campus and \$4,003,085 from the San Francisco campus. Additional detailed information may be found in the Attachments.

Budget and external financing approval via this mechanism does not constitute approval of or an irrevocable commitment to the individual projects under the California Environmental Quality Act. Individual project approval is governed by Regents Policy 8102.

**RECOMMENDATION**

It is recommended that:

**Deletions shown by ~~strikeout~~; additions by underscore**

- (1) The 2011-12 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

Systemwide: 2010-2012 Statewide Energy Partnership Program – preliminary plans, working drawings, construction, and equipment - ~~\$262,608,879~~ \$274,693,794 to be funded from external financing (~~\$193,714,283~~) (\$201,195,398), campus funds (~~\$7,916,946~~) (\$8,383,946), and energy efficiency incentive payments from investor-owned and publicly-owned utilities (~~\$60,977,650~~) (\$65,114,450).

\* \* \*

- (2) The President be authorized to obtain additional external financing not to exceed \$12,284,200, 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. As long as the debt is outstanding, the General Revenues of the Irvine campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
  - c. The general credit of the Regents shall not be pledged.

*AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING, 2010-12 STATEWIDE ENERGY PARTNERSHIP PROGRAM, IRVINE CAMPUS*

- (3) The President be authorized to obtain additional standby financing not to exceed \$4,136,800, 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. Repayment of the standby financing shall be from energy efficiency incentive payments from investor-owned utilities; in the event that collection is insufficient, and as long as the debt is outstanding, the General Revenues of the Irvine campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.
  - c. The general credit of the Regents shall not be pledged.
- (4) The President be authorized to execute all documents necessary in connection with the above.

**BACKGROUND**

The 2010-2012 Statewide Energy Partnership Program (“Program”) seeks to implement 700 to 800 energy efficiency projects at the campuses and medical centers. Through the Program, the investor-owned utilities and participating publicly owned utilities provide incentive payments to the University for projects that increase energy efficiency of University buildings and infrastructure, and reduce the University’s overall energy consumption. Included in the Program are a wide spectrum of projects of varying size and complexity. These include renewal and retrofits of HVAC systems, lighting, and building controls, as well as monitoring-based commissioning that benefits whole buildings.

As of December 31, 2011, the Program’s portfolio of projects under construction or completed includes 569 projects delivering 179.9 million kWh and 11.2 million therms – equivalent to 96.2 percent and 103.7 percent of program goals, respectively. These energy savings result in 120,000 metric tons of annual GHG emission reduction or seven percent of the University’s carbon footprint. This is translating to \$28.8 million in gross cost avoidance, or after debt service, \$19.5 million in net cost avoidance.

Through February, 2012, the University has committed \$96.6 million of the \$193.7 million Regentally-authorized bond funding, with approximately \$97.1 million available to the campuses for projects to be completed during 2012. Overall, through strategic planning and rigorous project management, the campuses are delivering more energy savings than projected at the on-start of the program.



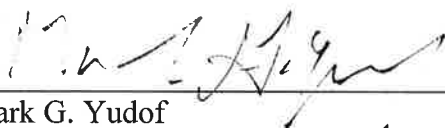


AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING, 2010-12 STATEWIDE ENERGY PARTNERSHIP PROGRAM, IRVINE CAMPUS

***Need for Augmentation***

Subsequent to the September 2010 action that increased the scope and budget of the Program to accommodate additional projects on the Davis and San Francisco campuses, the Irvine campus identified 39 new projects, totaling \$16,088,000 that would be eligible for the Program. These newly identified projects are expected to generate an estimated \$1,832,852 in additional annual energy savings. On the Irvine campus, construction has been completed or is underway for 97.6 percent of the funding originally approved through the Program. The remaining few projects totaling \$950,000 are currently in design and are scheduled for completion by summer 2012. Because Irvine is completing their originally planned projects sooner than expected, the proposed new projects are in a position to utilize the utility incentive grant structure already in place through 2012, rather than risk an unknown incentive structure that may be in effect in 2013. The Irvine campus is requesting an additional \$16,888,000 to be funded from external financing (\$12,284,200), energy efficiency payments from investor-owned utilities (\$4,136,800), and campus funds (\$467,000).

Approval:

 5/11/12  
\_\_\_\_\_  
Mark G. Yudof Date  
President of the University

Concurrence:

\_\_\_\_\_  
Sherry L. Lansing Date  
Chairman of the Board

\_\_\_\_\_  
Bruce D. Varner Date  
Chair of the Committee on Finance

*AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING, 2010-12 STATEWIDE ENERGY PARTNERSHIP PROGRAM, IRVINE CAMPUS*

**ATTACHMENTS:**

Attachment 1: Funding Summary by Campus

Attachment 2: Approved External Financing Status Report

Attachment 3: Irvine Campus Summary of Financial Feasibility

**ATTACHMENT 1: FUNDING SUMMARY BY CAMPUS**

	Berkeley	Davis	Irvine	Los Angeles	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz	Total
<b>APPROVED (Sept 2010)</b>										
External Financing	\$15,440,569	\$35,638,357	\$30,289,014	\$30,027,613	\$2,747,077	\$54,479,084	\$10,589,073	\$9,793,391	\$4,710,105	\$193,714,283
Incentive	8,799,481	10,625,640	9,094,930	6,520,000	1,142,714	14,626,676	4,079,598	4,736,611	1,352,000	60,977,650
Campus Funds	609,647		724,772			3,872,705		2,543,822	166,000	7,916,946
<b>Total Approved</b>	<b>\$24,849,697</b>	<b>\$46,263,997</b>	<b>\$40,108,716</b>	<b>\$36,547,613</b>	<b>\$3,889,791</b>	<b>\$72,978,465</b>	<b>\$14,668,671</b>	<b>\$17,073,824</b>	<b>\$6,228,105</b>	<b>\$262,608,879</b>
<b>PROPOSED ACTION</b>										
External Financing			\$12,284,200				(\$4,003,085)			\$7,481,115
Incentive			4,136,800							4,136,800
Campus Funds			467,000							467,000
<b>Total Augment</b>	<b>(\$800,000)</b>		<b>\$16,888,000</b>				<b>(\$4,003,085)</b>			<b>\$12,084,915</b>
<b>PROPOSED TOTALS</b>										
External Financing	\$14,640,569	\$35,638,357	\$42,573,214	\$30,027,613	\$2,747,077	\$54,479,084	\$6,585,988	\$9,793,391	\$4,710,105	\$201,195,398
Incentive	8,799,481	10,625,640	13,231,730	6,520,000	1,142,714	14,626,676	4,079,598	4,736,611	1,352,000	65,114,450
Campus Funds	609,647		1,191,772			3,872,705		2,543,822	166,000	8,383,946
<b>Total Proposed</b>	<b>\$24,049,697</b>	<b>\$46,263,997</b>	<b>\$56,996,716</b>	<b>\$36,547,613</b>	<b>\$3,889,791</b>	<b>\$72,978,465</b>	<b>\$10,665,586</b>	<b>\$17,073,824</b>	<b>\$6,228,105</b>	<b>\$274,693,794</b>



**ATTACHMENT 2: APPROVED EXTERNAL FINANCING STATUS REPORT**

	<b>Approved External Financing</b>	<b>Drawn as of February 2012</b>	<b>Unencumbered</b>
Berkeley <sup>(1)</sup>	\$ 15,440,569	\$ 8,836,661	\$ 6,603,908
Davis	35,638,357	20,600,143	15,038,214
Irvine	30,289,014	17,728,167	12,646,835
Los Angeles	30,027,613	11,012,376	19,015,237
Riverside <sup>(3)</sup>	2,747,077		2,747,077
San Diego	54,479,084	30,218,530	24,260,554
San Francisco <sup>(2)</sup>	10,589,073	4,879,566	5,623,519
Santa Barbara <sup>(3)</sup>	9,793,391		9,793,391
Santa Cruz	4,710,105	3,302,750	1,407,355
<b>Total</b>	<b>\$ 193,714,283</b>	<b>\$ 96,578,193</b>	<b>\$ 97,136,090</b>

Notes:

- (1) The proposed action includes reduction of \$800,000 in the authorized external financing
- (2) The proposed action includes reduction of \$4,003,085 in the authorized external financing
- (3) Campuses have chosen to use cash for construction and interim financing

The Program will end on December 31, 2012. As of February 2012, only 49.9 percent of the approved external financing has been drawn. The remaining 51.1 percent has been committed to projects that are in design and construction stages for which the campuses have not yet been invoiced. Two campuses are opting not to utilize the previously approved construction and interim financing, instead opting to use campus funds with the expectation that bond funding would be available upon projects completion.

**ATTACHMENT 3: IRVINE CAMPUS SUMMARY OF FINANCIAL FEASIBILITY**

Irvine Campus	
Project Name	<b>2012 SEP Projects</b>
Project ID	<b>Multiple numbers – to be assigned after approval</b>
Total Estimated Project Costs	<b>\$16,888,000</b>

Proposed Sources of Funding	
Proposed External Financing	<b>\$12,284,200</b>
Investor Owned Utilities Incentive Payment	<b>\$4,136,800</b>
Campus Funds	<b>\$467,000</b>
Total	<b>\$16,888,000</b>

*Fund sources for external financing shall adhere to University policy on repayment for capital projects.*

**EXTERNALLY FINANCED PROJECTS**

Long-term external financing assumptions are listed below.

Financing Assumptions	
Anticipated Repayment Source	<b>General Revenues of the Campus and State Operating Funds(*)</b>
Anticipated Fund Source	<b>Net Operating Revs of Auxiliary Units/State Operating Funds (*)</b>
Financial Feasibility Rate	<b>5.00%</b>
First Year of Principal	<b>2012</b>
Final Maturity	<b>2027</b>
Term (	<b>15 years</b>
Estimated Average Annual Debt Service	<b>\$1,627,000</b>

*Below are results of the financial feasibility analysis for the proposed project using the campus' Debt Affordability Model. External financing approval requires the campus to meet the debt service to operations benchmark and one of the two other benchmarks for approval. The financial projections take into consideration market conditions, new sources of revenue and all previously approved projects. The corresponding campus Debt Affordability Model has been submitted to Capital Markets Finance at UCOP.*

Measure	Campus Financing Benchmarks	
	10 Year Projections (as of 01/18/12)	Approval Threshold
<b>Debt Service to Operations</b>	<b>4.1% (max in 2014)</b>	<b>6.0%</b>
<b>Debt Service Coverage</b>	<b>4.52x (min in 2014)</b>	<b>1.75x</b>
<b>Expendable Resources to Debt</b>	<b>n/a</b>	<b>1.0x</b>
<b>Auxiliary Financing Benchmarks</b>		
<b>Debt Service Coverage</b>	<b>1.72x (min in 2013)</b>	<b>1.25x</b>

(\*) State Operating Funds as provided for under terms set forth in Provision 2 of Item 6440-001-0001 of Section 2.00 of the 2008 Budget Act