



OFFICE OF THE PRESIDENT

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October 21, 2003

**ACTION UNDER PRESIDENT'S AUTHORITY--APPROVAL OF EXTERNAL FINANCING  
FOR THE LOS ANGELES CAMPUS 2003-04 DEFERRED MAINTENANCE AND FACILITIES  
RENEWAL PROGRAM**

It is recommended that:

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

- (1) The President amend the 2003-04 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Los Angeles: 2003-04 Deferred Maintenance and Facilities Renewal Program - preliminary plans, working drawings, and construction -- \$8,000,000, total project cost to be funded from external financing.

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

- (2) The President obtain financing not to exceed \$8,000,000 prior to awarding a construction contract:
  - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
  - b. Repayment of financing shall be from the Los Angeles campus share of Federal Indirect Cost Recovery deposited to Fund 19933, which shall be in amounts sufficient to meet the related financing requirements; and
  - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents provide certification that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
- (4) The Officers of The Regents execute all documents in connection with the above.

KEY  
Capital Improvement Program Abbreviations

<b>S</b>	Studies
<b>P</b>	Preliminary Plans
<b>W</b>	Working Drawings
<b>C</b>	Construction
<b>E</b>	Equipment
<b>-</b>	State Funds (no abbreviation)
<b>F</b>	Federal Funds
<b>G</b>	Gifts
<b>HR</b>	Hospital Reserve Funds
<b>I</b>	California Institutes for Science and Innovation
<b>LB</b>	Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Stand-By, Interim and Bank Loans)
<b>LR</b>	Regents' Loans (Internal Loans)
<b>N</b>	Reserves other than University Registration Fee (Housing and Parking Reserves)
<b>R</b>	University Registration Fee Reserves
<b>U</b>	Regents' Appropriations (President's Funds, Educational Fund)
<b>X</b>	Campus Funds
<b>CCCI</b>	California Construction Cost Index
<b>EPI</b>	Equipment Price Index

## **DESCRIPTION**

This item requests authorization of \$8,000,000 in external financing for the 2003-04 Deferred Maintenance Program for the Los Angeles campus. These funds are needed to replace heating, ventilation, and air conditioning (HVAC) systems, building roofs, elevator equipment and controls, and building plumbing and electrical systems that are beyond their life expectancy and for which further repairs are no longer cost effective. Addressing the deferred maintenance and facilities renewal problem is one of the University's highest priorities. A list of projects proposed to be funded by this Program is included as Attachment II.

### **Background**

The projects primarily target five building and infrastructure systems: HVAC, roofing, elevators, electrical, and plumbing. HVAC renewal projects typically include replacing or retrofitting supply and exhaust fans, mixing boxes, controls, fume hood fans, condensate stations, and vacuum pumps. Elevator renewal projects include the replacement of elevator controls and related equipment. The work scope for electrical system renewals typically includes the replacement of the main circuit breakers and electric panel distribution boards in a campus building. Plumbing system renewals incorporate the replacement of pressure reducing stations, isolation valves, and primary water mains. These projects were scheduled to be included in the sixth year of the University's Deferred Maintenance program.

In February 1998, The Regents approved the first year of a new approach to facilities renewal that would provide significant levels of funding over the next several years. The Regents authorized the Treasurer to sell bonds that provided \$64.8 million for deferred maintenance and capital renewal for 1998-99, with repayment of the bonds from a portion (\$6 million) of the increase over the prior year's UC general funds, specifically nonresident tuition funds. Only high priority projects with long-term benefits to the University are eligible to be funded through this mechanism. The Regents approved the second year of this program in June 1999, and again authorized the Treasurer to sell bonds that provided an additional \$64 million for 1999-2000. As established in the first year, repayment of the bonds will come from \$6 million in nonresident tuition funds. The Regents approved the third year of this program in May 2000, and again authorized the Treasurer to sell bonds that provided an additional \$66 million for 2000-01.

The Regents approved the fourth year of this program in May 2001 authorizing the Treasurer to sell \$45 million in bonds. The fourth year of the program was allocated \$4 million of nonresident tuition. A total of approximately \$22 million per year will be used to pay debt service for all four years.

Due to the state's deteriorating fiscal situation the 2002-03 State Budget did not include funding for deferred maintenance. However, the University is committed to this program and allowed the Los Angeles campus to direct a portion of its share of Federal Indirect Cost Recovery deposited to Fund 19933 (known internally as University General Funds) to provide \$8 million of long-term financing for this greatly needed program. The University continues to offer the program for 2003-04.

Continuation of the University's Plan

The basic tenets of the University's plan, as first proposed in 1998-99, are:

- University financing would be issued each year over a period of at least five years to fund "Priority 1" deferred maintenance and facilities renewal projects that have a minimum useful life of 15 years.
- The source of funds to be pledged and used for repayment of the debt would be nonresident tuition income. For the first four years, increases in non-resident tuition were pledged. For this fifth year, campuses may pledge the Federal Indirect Cost Recovery deposited to campus University General Funds.
- The amount of funding to be provided for debt service on an annual basis would be limited to no more than 5% of the annual increase in UC and state general funds.
- The amount of funding to be provided for project costs on an annual basis would be influenced by current interest rates at the time of financing, which would determine the amount of principal which a specific debt service payment could support.

This program has had a significant impact on reducing the highest priority deferred maintenance projects within the backlog, as well as funding many facilities renewal projects. Los Angeles is the third campus to submit deferred maintenance plans that would utilize the fund source described above. Additional plans will be submitted for approval as they are received.

Financial Feasibility

For the 2003-04 financing, the campus will use its share of the \$14,100,000 (actual 2002-03) Federal Indirect Cost recovery deposited to campus University General Funds for projected annual debt service of \$810,000 calculated at an interest rate of 5.75% for 15 years. Total projected debt service, including the 2002-03 program, is \$1,620,000, which results in a debt service coverage of 8.70 times based on actual 2002-03 funding.

Approved by:

  
Robert C. Dynes  
President of the University

10/21/03  
Date

Attachments

**SUMMARY FINANCIAL FEASIBILITY ANALYSIS**

Project Title: 2003-04 Los Angeles Campus Deferred Maintenance and Facilities Renewal Program

Total Estimated Program Cost: \$8,000,000

Proposed Source(s) of Funding:

External Financing \$8,000,000

Proposed Financing Terms:

- Interest Rate: 5.75%      Duration: 15 Years

Pledged Source of Repayment (FY 2002-03):

Federal Indirect Cost Recovery  
Deposited to Campus University General Funds (19933) \$14,100,000

Estimated Annual Expense:

Projected Annual Debt Service (proposed project)	\$ 810,000
Existing Annual Debt Service (2002-03 DM Program)	\$ 810,000
Total Annual Expense	\$1,620,000

Debt Service Coverage 8.70x

## 2003-04 Deferred Maintenance and Facility Renewal Program

Priority	CAAN #	Facility Name	Project Title	Project Cost (\$000)			
				Bond	General	Other	Total Cost
1	4580	Bunche Hall	Cooling Tower Replacement	\$400,000	\$0	\$0	\$400,000
2	4203	Young Research Library	Cooling Tower Replacement	\$367,000	\$0	\$0	\$367,000
3	4579	Public Policy Building	Cooling Tower Replacement	\$216,000	\$0	\$0	\$216,000
4	4206	Broad Art Center (formerly Dickson)	HVAC and Building Service Renovation - Phase II	\$324,000	\$0	\$0	\$324,000
5	4332E	Marion Davies Children's Center	Building Service System Renewal	\$120,000	\$0	\$0	\$120,000
6	4332D	Geffen School of Medicine	Building Service System Renewal	\$167,000	\$0	\$0	\$167,000
7	4336	Factor Building	Building Service System Renovation	\$176,000	\$0	\$0	\$176,000
8	4331	School of Public Health	Fume Hood and Exhaust Fan Renewal	\$119,000	\$0	\$0	\$119,000
9	4594	Rehabilitation Building	HVAC System Renovation - Phase III	\$90,000	\$0	\$0	\$90,000
10	4594	Rehabilitation Building	Building Service System Renovation	\$87,000	\$0	\$0	\$87,000
11	4316	700 Westwood Plaza (formerly Jerry Lewis)	Building Service System Renovation	\$65,000	\$0	\$0	\$65,000
12	4581	Warren Hall	Building Service Renovation	\$76,000	\$0	\$0	\$76,000
13	4228b, 4318, 4319, 4403, 4332d, 4332e, 4331, 4579, 4336, 4203	Young Hall, Powell Library, Franz Hall, Boyer Hall, Geffen School of Medicine, Marion Davies Children's Center, School of Public Health, Public Policy, Factor, Young Research Library	HVAC Equipment Alarm System Replacement	\$165,000	\$0	\$0	\$165,000

University of California, Los Angeles  
2003-04 Deferred Maintenance and Facility Renewal Program

ATTACHMENT II

Priority	CAAN #	Facility Name	Project Title	Project Cost (\$000)			
				Bond	General	Other	Total Cost
14	4577a, 4375, 4200, 4317, 4363, 4318, 4216, 4335	Melnitz Hall, Royce Hall, Murphy Hall, Law Building, Knudsen Hall, Powell Library, Rolfe Hall, Schoenberg Hall	Central Campus - Replace Central HVAC Control System	\$210,000	\$0	\$0	\$210,000
15	4202, 4579, 4578, 4203, 4319	Perloff Hall, Public Policy, MacGowan Hall, Young Research Library, Franz Hall	North Campus - Replace Central HVAC Control System	\$130,000	\$0	\$0	\$130,000
16	4228b, 4228a, 4227, 4403, 4343, 4359, 4576	Young Hall, Geology, Slichter Hall, Boyer Hall, Boelter Hall, Math Science, Botany Building	South Campus - Replace Central HVAC Control System	\$182,000	\$0	\$0	\$182,000
17	4580	Bunche Hall	Pneumatic Control System Replacement	\$120,000	\$0	\$0	\$120,000
18	4316	700 Westwood Plaza (formerly Jerry Lewis)	Elevator Refurbishment, Cab 255	\$54,000	\$0	\$0	\$54,000
19	4335	Schoenberg Hall	Elevator Refurbishment, Cab 258	\$50,000	\$0	\$0	\$50,000
20	4294	Campbell Hall	Elevator Refurbishment, Cab 177	\$81,000	\$0	\$0	\$81,000
21	4343	Boelter Hall	Chilled Water Pump Replacement	\$97,000	\$0	\$0	\$97,000
22	4228B	Young Hall	HVAC System Renovation	\$70,000	\$0	\$0	\$70,000
24	4362	Kinsey Hall	GA Classroom Refurbishment	\$86,000	\$0	\$0	\$86,000
25	4362	Kinsey Hall	Auditorium Refurbishment	\$190,000	\$0	\$0	\$190,000
26	4362	Kinsey Hall	GA Small Lecture Halls Refurbishment	\$185,000	\$0	\$0	\$185,000
27	4363	Knudsen Hall	GA Classroom/Auditorium Refurbishment	\$339,000	\$0	\$0	\$339,000

28	4362	Kinsey Hall	Roof Replacement	\$275,000	\$0	\$0	\$275,000
29	4335	Schoenberg Hall	Roof Replacement	\$460,000	\$0	\$0	\$460,000
30	4200	Murphy Hall	Electrical System Renewal	\$405,000	\$0	\$0	\$405,000
31	4400	Seeds University Elementary School	Electrical System Renewal	\$238,000	\$0	\$0	\$238,000
32	Infrastruc ture	South Central Campus	Light Standard Replacement - Phase V	\$162,000	\$0	\$0	\$162,000
33	Infrastruc ture	Throughout Campus	Upgrade Street Lighting Circuits	\$183,000	\$0	\$0	\$183,000
34	4213	Dodd Hall	Electrical Panel Board Renewal	\$54,000	\$0	\$0	\$54,000
35	4580	Bunche Hall	Exterior Lighting Replacement	\$81,000	\$0	\$0	\$81,000
36	Infrastruc ture	Throughout Campus	Walk/Street Lighting Controls Replacement	\$200,000	\$0	\$0	\$200,000
37	4335	Schoenberg Hall	Main Secondary and Distribution Breakers Replacement	\$238,000	\$0	\$0	\$238,000
38	4579	Public Policy Building	Electrical Inverter Replacement	\$76,000	\$0	\$0	\$76,000
39	4203	Young Research Library	Electrical System Renewal	\$189,000	\$0	\$0	\$189,000
40	4202	Perloff Hall	Electrical System Renewal	\$119,000	\$0	\$0	\$119,000
41	4343	Boelter Hall	Electrical System Renewal	\$475,000	\$0	\$0	\$475,000
42	4594	Rehabilitation Building	Plumbing System Renewal	\$270,000	\$0	\$0	\$270,000
43	4334	School of Dentistry	Plumbing System Renewal, Phase I	\$324,000	\$0	\$0	\$324,000
44	Infrastruc ture	Throughout Campus	Storm and Sewer Drain System Renewal - Phase II	\$325,000	\$0	\$0	\$325,000



University of California, Los Angeles 2003-04 Deferred Maintenance and Facility Renewal Program							ATTACHMENT II
Priority	CAAN #	Facility Name	Project Title	Project Cost (\$000)			
				Bond	General	Other	Total Cost
45	4228A	Geology Building	Plumbing System Renewal	\$270,000	\$0	\$0	\$270,000
46	4580	Bunche Hall	Plumbing System Renewal - Phase II	\$162,000	\$0	\$0	\$162,000
47	4335	Schoenberg Hall	Plumbing System Renewal	\$119,000	\$0	\$0	\$119,000
48	4336	Factor Building	Heat Exchanger Replacement	\$324,000	\$0	\$0	\$324,000
49	4216	Rolfe Hall	Replace Storm Water and Irrigation System	\$162,000	\$0	\$0	\$162,000
50	Infrastructure	Charles E. Young Drive South	Roadway Replacement	\$216,000	\$0	\$0	\$216,000
TOTAL:				\$1,253,000	\$0	\$0	\$1,253,000

October 2003