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ACTION UNDER PRESIDENT'S AUTHORITY--AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF STANDBY FINANCING FOR ROBERT PAINE SCRIPPS CENTER, SAN DIEGO CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2004-05 Budget for Capital Improvements and the Capital Improvement Program as follows:

From: San Diego: Robert Paine Scripps Center – preliminary plans, working drawings, construction and equipment -- \$4,980,000 to be funded from gift funds.

To: San Diego: Robert Paine Scripps Center – preliminary plans, working drawings, construction, and equipment - \$7,755,000 to be funded from gift funds.

Pursuant to Bylaw 21.4(d) and Standing Order 100.4(nn)

- (2) The President approve standby financing to be obtained not to exceed \$3,166,000 prior to awarding a construction contract for any gift funds not received by that time and 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 any financing shall be from gift funds, and in the event such gift funds are insufficient, from the UC San Diego campus' share of the University Opportunity Fund; and
 - c. The general credit of The Regents shall not be pledged.

- (3) The Officers of The Regents be authorized to provide certification to the lender 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 be authorized to execute all documents necessary in connection with the above.

A Key to the abbreviations and the project description are attached.

KEY
Capital Improvement Program Abbreviations

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

Budget for Capital Improvements and
 Capital Improvement Program
 Scheduled for
 Regents' Allocation, Loans, Income Reserves, University Registration Fee Reserves,
 Gift Funds, and Miscellaneous Funds

Campus and Project Title (Total Cost)	Approved <u>2001-02</u>	Proposed <u>2004-05</u>
<u>San Diego</u>		
Robert Paine Scripps		
Center	P \$225,000 G	P \$25,000 G
	W \$275,000 G	W \$325,000 G
	C \$4,480,000 G	C \$2,125,000 G
		E \$300,000 G
(\$7,755,000)		

DESCRIPTION

This action requests approval of a \$2,775,000 budget augmentation and approval of standby financing authorization of \$3,166,000 for the Robert Paine Scripps Center (“Center”) project at the San Diego campus.

History and Prior Approvals

Scripps Institution of Oceanography (SIO) is one of the oldest and largest centers for marine science research, graduate training, and public service in the world. SIO was founded in 1903 as an independent biological research laboratory, which became an integral part of the University of California in 1912. SIO currently does not have modern meeting facilities, with up-to-date audio-visual capabilities, to hold large scientific meetings.

Despite advances in technology and widespread use of electronic mail and the Internet, personal, face-to-face communication among scientists collaborating on their research remains the most effective method of exchanging ideas. The Center would bring together the general public, students, members of the national and international ocean science community and other scientists, policy makers, and government and business leaders – those who would make the decisions that would affect the environmental survival of generations to come. This exchange of information is essential in developing the scientific understanding needed in the search for a sustainable environment.

In May 2002, the Center was approved by the San Diego Chancellor at a total project cost of \$4,980,000 to be funded from gifts. In September 2003, the Chancellor approved the design and certified the Initial Study/Mitigated Negative Declaration. The project consisted of 9,400 asf of meeting facilities, an auditorium, a graduate student lounge and related support spaces.

Project Description

With the approval of this action, the Center would be comprised of 11,920 asf (16,530 gsf) including modern meeting facilities, a large auditorium, food service and catering, and graduate student space for SIO.

The primary purpose of the Center would be to accommodate scientific meetings and special events hosted by SIO. The size of these functions would vary from event to event. The Center would have complete audiovisual, teleconferencing, and an auditorium to seat up to 300 persons. Multiple computer hookups would provide the capability for networking within the complex, networking with other institutions, and receiving data directly from satellites. An outdoor area to accommodate larger gatherings would be provided adjacent to the buildings. In addition, the project would replace the graduate student lounge, currently located in a 45 year old building, with a new graduate student lounge for SIO students.

The project site of the Center would be west of La Jolla Shores Drive near the southwestern end of SIO at one of two main entrances to the SIO campus. The project scope includes demolition of two buildings located on the site -- the Marine Sciences Development Shop building and a small building for meetings of SIO graduates students. Replacement of the Marine Sciences Development Shop is part of a separate project currently in design.

Construction of the Center project would begin in March 2005 and would be completed in May 2006.

Need for Augmentation

The campus now seeks an augmentation to the Chancellor's approval of May 2002 to cover increased costs and seek approval of standby financing authorization to bid the project. The increased costs are due in part to the:

- Square footage increase (2,508 asf) with addition of food service and catering areas, and
- Cost escalation due to project delay. The project could not be bid as originally scheduled because of insufficient gift funds. This has resulted in a two-year delay in completion of the project.

The following table summarizes the physical scope changes to the project:

Robert Paine Scripps Center Scope Changes			
<u>Description</u>	Original (May 2002 Approval) asf	Proposed Revision asf	Net Change
Auditorium and Meeting Rooms	5,910	5,898	(12)
Food Service and Catering	0	1,977	1,977
Support Space and Storage	2,489	3,013	524
Graduate Lounge	<u>1,013</u>	<u>1,032</u>	<u>19</u>
Total ASF	9,412	11,920	2,508

The addition of a food service and catering component would allow the Center to provide on-site food services to its participants and the SIO community and eliminate the need for more costly off-site meals.

Systemwide Green Building Policy and Clean Energy Standard

This project will comply with the *Systemwide Green Building Policy and Clean Energy Standard* approved by The Regents at their meeting of July 2003, as well as with the *Presidential Policy for Green Building Design and Clean Energy Standards* dated June 16, 2004. As required by these policies, the project will adopt the principals of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements. Specific information regarding energy efficiency and sustainability will be provided when the project is presented for design approval.

CEQA Classification

In accordance with University of California guidelines for the implementation of the California Environmental Quality Act, an environmental Initial Study/Mitigated Negative Declaration (IS/MND) was prepared in 2002-03 for consideration in conjunction with the project design review and approval granted in 2003. Project design and the environmental document were approved by the UCSD Chancellor in September 2003. The change in scope and budget do not alter the conclusion of the environmental document or require recalculation of the document.

Financial Feasibility

The revised total project cost of \$7,755,000 would be funded from gifts. Additional information regarding the project budget and comparable projects is included as Attachment 1.

The receipt of gifts is projected as follows:

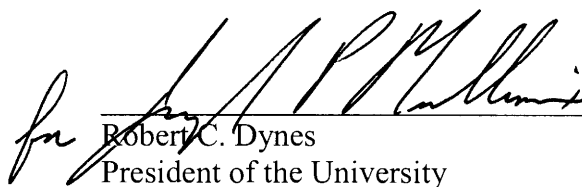
Gifts In Hand	\$3,809,000
Gifts Pledged (cash to be received by bid in January 2005)	\$ 780,000
<u>Gifts Pledged</u> (cash to be received by December 2009)	<u>\$3,166,000</u>
Total	\$7,755,000

As gift funds would be collected over time, approval for standby financing of \$3,166,000 is requested in order to meet Regental policy to have funds on hand for bid advertisement. It is anticipated that the campus would have \$4,589,000 of gift funds in hand for the Center at the time of bid. If all of the gift funds are not in hand at the time of construction bidding, the campus will provide the funds necessary to comply with Regental policy regarding bid and award so that the project may proceed.

It is anticipated that the campus will collect gift funds sufficient to pay the principal and interest on the standby financing. In the event such gifts are insufficient, the San Diego campus' share of the University Opportunity Fund has been pledged as an additional source of repayment. Opportunity funds are a portion of the indirect cost recovery on federal contracts and grants. In FY 2007-08, the first full year of principal and interest payments, 59% of Opportunity Funds are pledged for debt service.

Further financial information is shown on the Attachment 2.

Approved by:



Robert C. Dynes
President of the University

8/26/04

Date

Attachments

**PROJECT STATISTICS
ROBERT PAINE SCRIPPS CENTER
CAPITAL IMPROVEMENT BUDGET
SAN DIEGO CAMPUS
CCCI 4328**

<u>Cost Category</u>	Amount	<u>% of Total</u>
Site Clearance	\$ 170,000	2.3
Building	\$4,823,000	64.7
Exterior Utilities	\$ 500,000	6.7
Site Development	\$ 417,000	5.6
A/E Fees ^(a)	\$ 700,000	9.4
Campus Administration ^(b)	\$ 200,000	2.7
Surveys, Tests	\$ 150,000	2.0
Special Items ^(c)	\$ 160,000	2.1
Contingency	\$ 335,000	4.5
Total	\$7,455,000	100.0
Group 2 & 3 Equipment	\$ 300,000	
Total Project	\$7,755,000	

Statistics

Gross Square Feet (GSF) ^(d)	16,530
Assignable Square Feet (ASF) ^(d)	11,920
Ratio ASF/GSF (%)	72%
Building Cost/GSF ^(d)	\$291
Building Cost/ASF ^(d)	\$404

(a) Fees include executive architect and other professional design contract costs.

(b) Campus administration includes project management and inspection.

(c) Special items include independent structural and historical reviews; hazardous materials survey/monitoring; acoustic, theater, audio visual, interior, color, roofing, graphics, lighting, multi-media and telecommunications consultants; planning and environmental; agency review; and interest expense totaling \$55,000.

(d) Gross square feet (GSF) is the total area, including usable area, stairways, and space occupied by the structure itself. Assignable square feet (ASF) is the net usable area.

SUMMARY FINANCIAL FEASIBILITY ANALYSIS**Project Title: Robert Paine Scripps Center**

Total Estimated Project Cost	\$7,755,000
Proposed Sources of Funding	
Gifts:	\$7,755,000
Proposed Financing Terms	
Standby Financing -- \$3,166,000	
Interest Rate: 7.125%	
Campus Opportunity Fund Information (2007-08) ⁽¹⁾	
Estimated Annual Revenue	
Pre-Off the Top Generated Existing Garamendi Projects ⁽²⁾	\$16,578,000
Opportunity Funds Generated	<u>\$35,405,000</u>
Total Estimated Annual Revenue	\$51,983,000
Estimated Average Annual Debt Service (2007-08)	
Existing Garamendi Projects Debt Service and OMP	\$16,578,000
Other existing projects – debt service	<u>\$14,162,000</u>
Total Estimated Annual Expenses	\$30,740,000
% Opportunity Funds Pledged	59%
Debt Service Coverage	1.69x

(1) First full year of principal and interest payments for the project.

(2) 5% growth in 2005 and 2% thereafter