



OFFICE OF THE PRESIDENT

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April 13, 2005

**ACTION UNDER PRESIDENT'S AUTHORITY--APPROVAL OF AUGMENTATION OF  
EXTERNAL FINANCING FOR ROWLAND HALL IMPROVEMENTS, IRVINE CAMPUS 2002-  
03 DEFERRED MAINTENANCE AND FACILITIES RENEWAL PROGRAM**

It is recommended that:

(Deletions shown by ~~strikeout~~ and additions shown by underline.)

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

- (1) Funding for the 2002-03 Irvine Campus Deferred Maintenance and Facilities Renewal Program approved in amount not to exceed ~~\$7,590,000~~ \$8,890,000 from external financing.
- (2) The President be authorized to obtain financing not to exceed ~~\$7,590,000~~ \$8,890,000 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 Irvine campus' share of Federal Indirect Cost Recovery deposited to Fund 19933 and shall be in amounts sufficient to pay debt service and to meet the related financing requirements; and
  - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents be authorized to 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 be authorized to execute all documents in connection with the above.

A key to the abbreviations and the project description is attached.

**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 a budget augmentation of \$1,300,000 in external financing for Priority 1 deferred maintenance in Rowland Hall, originally approved as part of the campus's 2002-03 Deferred Maintenance and Facilities Renewal Program. This augmentation is needed to reflect recent increases in construction costs that were unanticipated at the time the work was originally approved. The augmentation raises the total cost of the Rowland Hall project to \$8,890,000.

### ***Background***

In April 2003, the President approved external financing in the amount of \$7,590,000 in order to address deferred maintenance needs in Rowland Hall, a laboratory building constructed in 1968 to house Physical Sciences instruction and research programs. This work was to be bid and constructed concurrently with a State-funded seismic upgrade of that facility in order to minimize disruptions to programs and researchers in the building. While the deferred maintenance project was in design, both local and worldwide construction markets experienced unprecedented and unanticipated price spikes. Consequently, when the seismic upgrade and deferred maintenance improvements were bid in March 2004, the bids received were significantly over the budget, with the deferred maintenance component exceeding the budget by approximately \$2 million to \$3 million. To address this problem, the campus undertook an extensive value engineering effort and requested permission from the State to rebid the project utilizing the design-build procurement system in order to take advantage of potential cost-saving opportunities associated with that delivery approach. In December 2004, the State approved this request, and the project went out to bid again. In confidential discussions with each of the two bidders, which is part of the design-build bid process, both teams indicated that although some additional savings were achievable, the deferred maintenance work could not be accomplished within the existing budget. The Irvine campus now requests an additional \$1,300,000 in order to complete the planned systems upgrades to Rowland Hall.

### ***Project Description***

The project remains unchanged since approved and will accommodate all planned components, including an HVAC supply and exhaust renewal; roof and flashing replacement; lighting, acoustics, and seating replacement; fire alarm system component replacement; building exterior sealing; and lock cylinder replacement.

### ***CEQA Classification***

In accordance with the California Environmental Quality Act and the University Guidelines for the Implementation of CEQA, as amended, the proposed projects are classified Categorically Exempt, Class 1 (Existing Facilities).

### ***Financial Feasibility***

The requested augmentation to the Rowland Hall deferred maintenance project will increase the total amount to finance to \$8,890,000. The Irvine campus will use a portion of its share of the Federal Indirect Cost Recovery deposited to the campus' University General Funds as fund 19933

for the annual debt repayment. The annual debt service of \$900,446 assumes an interest rate of 5.75% for 15 years on a total project cost of \$8,890,000, and then is sufficient debt service coverage.

Further financial information is shown on Attachment 1.

Approved by:

 4/20/05  
\_\_\_\_\_  
Robert C. Dynes Date  
President of the University

(Attachment)

## SUMMARY FINANCIAL FEASIBILITY ANALYSIS

**Project Title:** 2002-03 Irvine Campus Deferred Maintenance and Facilities Renewal Program

**Total Estimated Project Cost:** \$8,890,000

**Proposed Sources of Funding:**

External Financing \$8,890,000

**Proposed Financing Terms:**

Interest Rate: 5.75%      Duration: 15 Years

**Pledged Source of Repayment (FY 2004-05):**

Federal Indirect Cost Recovery  
Campus' allocation of Fund 19933 \$5,662,847

Projected annual debt service (existing project) \$768,772  
Projected annual debt service (requested augmentation) \$131,674  
Total projected annual debt service \$900,446

Pledge Ratio 15.9%

Debt Service Coverage 6.29x