



OFFICE OF THE PRESIDENT

Robert C. Dynes
President

1111 Franklin Street
Oakland, CA 94607-5200
Phone: (510) 987-9074
Fax: (510) 987-9086
<http://www.ucop.edu>
April 13, 2005

**ACTION UNDER PRESIDENT'S AUTHORITY—APPROVAL OF EXTERNAL
FINANCING FOR THE LOS ANGELES CAMPUS 2004-05 DEFERRED
MAINTENANCE AND FACILITIES RENEWAL PROGRAM**

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 to include the following project:

Los Angeles: 2004-05 Deferred Maintenance and Facilities Renewal Program – preliminary plans, working drawings, and construction -- \$7,835,000, to be funded from external financing (\$7,700,000) and campus funds (\$135,000).

Pursuant to Standing Order 100.4(nn)

- (2) The President be authorized to obtain financing not to exceed \$7,700,000 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 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 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.

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

KEY
Capital Improvement Program Abbreviations

| | |
|-------------|--|
| S | Studies |
| P | Preliminary Plans |
| W | Working Drawings |
| C | Construction |
| E | Equipment |
| - | State Funds |
| F | Federal Funds |
| G | Gifts |
| HR | Hospital Reserve Funds |
| I | California Institutes for Science Innovation |
| LB | Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Stand-By, |
| 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 |

DESCRIPTION

This item requests approval of the Los Angeles campus' 2004-05 Deferred Maintenance Program in the amount of \$7,835,000. Approval is also requested to support \$7,700,000 of the total cost with external financing. This program is needed to replace heating, ventilation, and air conditioning (HVAC) systems, building roofs, building plumbing and electrical systems, and roadway/landscape that are beyond their life expectancy and for which further repairs are no longer cost effective. Addressing 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. 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 in the seventh 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 (nor have the State budgets for subsequent years). However, the University is committed to this program and so 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). This has provided funding for deferred maintenance at the Los Angeles campus as displayed in the following table:

University of California, Los Angeles
Deferred Maintenance and Facilities Renewal Program
Supported with Fund 19933

| 2002-03 | \$ | 8,000,000 |
|--------------------|----|------------|
| 2003-04 | \$ | 8,000,000 |
| 2004-05 (Proposed) | \$ | 7,835,000 |
| Total | \$ | 23,835,000 |

Continuation of the University's Plan

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

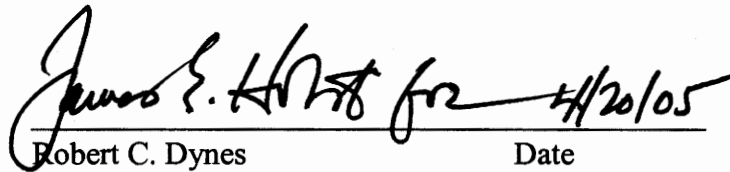
- University financing would be issued each year over a period of at least five years to fund "Priority 1" deferred maintenance and facilities renewal projects that have a minimum useful life of 15 years.
- The source of funds to be pledged and used for repayment of the debt would be nonresident tuition income. For the first four years, increases in nonresident 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 first 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

The total cost of the Los Angeles campus 2004-05 Deferred Maintenance and Facilities Renewal Program will be \$7,835,000. Of this amount, \$7,700,000 would be supported with external financing, and \$135,000 would be supported with campus funds. As the pledged source of repayment for the external financing, the campus will use its share of the Federal Indirect Cost recovery deposited to campus University General Funds for projected annual debt service of \$780,000, calculated at an interest rate of 5.75% for 15 years. Total projected annual debt service, including the prior programs, is \$2,400,000, which results in debt service coverage of 7.16 times.

Approved by:

for 4/20/05

Robert C. Dynes
President of the University

Date

(Attachments)

ATTACHMENT 1

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: 2004-05 Los Angeles Campus Deferred Maintenance and Facilities
Renewal Program

Total Estimated Project Cost \$7,700,000

Proposed Source(s) of Funding:
External Financing \$7,700,000

Proposed Financing Terms:
Interest Rate: 5.75% Duration: 15 Years

Pledged Source of Repayment (FY2004-05):
Federal Indirect Cost Recovery
Deposited to Campus University General Funds (19933) \$17,175,000

Estimated Annual Expense:
Projected Annual Debt Service (proposed project) \$780,000
Existing Annual Debt Service \$1,620,000
Total Annual Expense \$2,400,000

Debt Service Coverage 7.16x

ATTACHMENT 1I

**UNIVERSITY OF CALIFORNIA, LOS ANGELES
2004-05 DEFERRED MAINTENANCE AND FACILITY RENEWAL PROGRAM**

| | | | | | |
|---|---|--|-----------|-----|-----------|
| 4316 | 700 Westwood Plaza (formerly Jerry Lewis) | Building Service System Renovation | \$70,000 | \$0 | \$70,000 |
| 4580 | Bunche Hall | Pneumatic Control System Replacement | \$162,000 | \$0 | \$162,000 |
| 4202 | Perloff Hall | Electrical System Renewal | \$119,000 | \$0 | \$119,000 |
| 4335 | Schoenberg Hall | Electrical System Renewal | \$256,000 | \$0 | \$256,000 |
| 4203 | Young Research Library | Electrical System Renewal | \$205,000 | \$0 | \$205,000 |
| 4335 | Schoenberg Hall | Plumbing System Renewal | \$125,000 | \$0 | \$125,000 |
| 4343, 4216, 4335, 4363, 4319 | Boelter Hall, Rolfe Hall, Schoenberg Hall, Knudsen Hall, and Franz Hall | Meter and Control Replacement, Phase I | \$216,000 | \$0 | \$216,000 |
| 4576 | Botany Building | Underground Utility Services Line Replacement | \$312,000 | \$0 | \$312,000 |
| 4403 | Boyer Hall | Industrial Cooling Water Piping Replacement | \$135,000 | \$0 | \$135,000 |
| 4403 | Boyer Hall | Industrial and Domestic Hot Water System Replacement | \$254,000 | \$0 | \$254,000 |
| 4294 | Campbell Hall | Heat and Ventilation Replacement, Phase I | \$432,000 | \$0 | \$432,000 |
| 4336 | Factor Building | Heat Exchanger and Associated Equipment Replacement | \$350,000 | \$0 | \$350,000 |
| 4228A | Geology Building | Fume Hood Renewal | \$59,000 | \$0 | \$59,000 |
| 4363, 4228b, 4375, 4579, 4320, 4577, 4578, 4318, 4202, 4294 | Knudsen Hall, Young Hall, Royce Hall, Public Policy Building, Life Sciences, Melnitz Hall, Macgowan Hall, Powell Library, Perloff Hall, and Campbell Hall | Air Storage Tank Replacement | \$54,000 | \$0 | \$54,000 |

| | | | | | |
|------------------------|---|--|-----------|-----|-----------|
| 4200 | Murphy Hall (East Wing) | Mixing Box and Damper Replacement | \$243,000 | \$0 | \$243,000 |
| 4202 | Perloff Hall (West Wing) | HVAC System Renovation | \$113,000 | \$0 | \$113,000 |
| 4318 | Powell Library (East Wing) | HVAC System Renovation | \$103,000 | \$0 | \$103,000 |
| 4334, 4320, 4343, 4359 | School of Dentistry, Life Sciences, Boelter Hall, and Math Sciences | HVAC Equipment Alarm System Replacement, Phase II | \$108,000 | \$0 | \$108,000 |
| 4227 | Slichter Hall | Heat Exchanger and Fume Hood Exhaust Fan Replacement | \$92,000 | \$0 | \$92,000 |
| 4203 | Young Research Library | Damper and HVAC Control Replacement | \$243,000 | \$0 | \$243,000 |
| 4343 | Boelter Hall | Electrical System Renewal, Phase II | \$162,000 | \$0 | \$162,000 |
| 4332D, 4332E | David Geffen School of Medicine and Marion Davies Children's Center | Motor Control Center Replacement | \$143,000 | \$0 | \$143,000 |
| 4250 | Moore Hall | Electrical Distribution System Replacement | \$108,000 | \$0 | \$108,000 |
| 4318 | Powell Library | Emergency Generator Replacement | \$97,000 | \$0 | \$97,000 |
| 4579 | Public Policy Building | Electrical System Renewal | \$189,000 | \$0 | \$189,000 |
| 4334 | School of Dentistry | Motor Control Center Retrofit | \$81,000 | \$0 | \$81,000 |
| 4334 | School of Dentistry | Automatic Transfer Switch Replacement | \$108,000 | \$0 | \$108,000 |
| 4331 | School of Public Health | Automatic Transfer Switch and Motor Control Center Replacement | \$171,000 | \$0 | \$171,000 |
| 4703 | Throughout Campus | Electrical Grounding System Replacement | \$81,000 | \$0 | \$81,000 |
| 4703 | Throughout Campus | Exterior Walk Light System Replacement | \$108,000 | \$0 | \$108,000 |
| 4703 | Throughout Campus | Exterior Lighting Replacement | \$86,000 | \$0 | \$86,000 |
| N/A | Throughout Campus | Campus Building Clock System Replacement, Phase I | \$162,000 | \$0 | \$162,000 |

| | | | | | |
|----------------|---|---|-----------|-----------|-----------|
| 4343 | Boelter Hall | Pressure Reducing Station Valve Station and Isolation Valve Replacement | \$270,000 | \$0 | \$270,000 |
| 4336 | Factor Building | Plumbing System Renewal | \$130,000 | \$0 | \$130,000 |
| 4336 | Factor Building | Drainage System Replacement, Phase I | \$108,000 | \$0 | \$108,000 |
| 4363 | Knudsen Hall | Pressure Reducing Station Valve Station Replacement | \$108,000 | \$0 | \$108,000 |
| 4317 | Law Building | Pressure Reducing Station Valve Station Replacement | \$54,000 | \$0 | \$54,000 |
| 4200 | Murphy Hall (East Wing) | Pressure Reducing Station Valve Replacement | \$108,000 | \$0 | \$108,000 |
| 4331 | School of Public Health | Water Main Replacement | \$108,000 | \$0 | \$108,000 |
| 4703 | Throughout Campus | Water Feed Station Renewal, Phase I | \$162,000 | \$0 | \$162,000 |
| 4332G | David Geffen School of Medicine Vivarium | Roof Replacement | \$281,000 | \$0 | \$281,000 |
| 4333 | Jules Stein Eye Institute | Roof Replacement | \$119,000 | \$135,000 | \$254,000 |
| 4203 | Young Research Library | Concrete Deck Resurfacing | \$81,000 | \$0 | \$81,000 |
| 4206 | Broad Art Center (formerly Dickson) | General Assignment Lecture Hall Renewal | \$335,000 | \$0 | \$335,000 |
| 4294 | Campbell Hall | General Assignment Classroom Renewal | \$59,000 | \$0 | \$59,000 |
| 4228A | Geology Building | General Assignment Classroom Renewal | \$59,000 | \$0 | \$59,000 |
| 4227, 4319 | Slichter Hall and Franz Hall | General Assignment Classroom Renewal | \$60,000 | \$0 | \$60,000 |
| Infrastructure | Charles E. Young Drive North Roadway/Intersection to Hilgard Ave. | Roadway Replacement | \$54,000 | \$0 | \$54,000 |
| Infrastructure | Court of Sciences | Hardscape Replacement | \$155,000 | \$0 | \$155,000 |
| Infrastructure | Near Anderson School | Hardscape Replacement | \$108,000 | \$0 | \$108,000 |

| | | | | | |
|----------------|-----------------------------|-----------------------|-------------|-----------|-------------|
| | | | | | |
| Infrastructure | Near Public Policy Building | Hardscape Replacement | \$194,000 | \$0 | \$194,000 |
| Total | | | \$7,700,000 | \$135,000 | \$7,835,000 |