



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>

December 5, 2005

**ACTION UNDER PRESIDENT'S AUTHORITY – APPROVAL OF AMENDMENT TO
THE CAPITAL IMPROVEMENT PROGRAM AND EXTERNAL FINANCING FOR
THE BERKELEY CAMPUS 2005-06 DEFERRED MAINTENANCE AND FACILITIES
RENEWAL PROGRAM**

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2005-06 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Berkeley: 2005-06 Deferred Maintenance and Facilities Renewal Program –
preliminary plans, working drawings, and construction --\$5,000,000, to be
funded from external financing.

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

- (2) The President be authorized to obtain financing not to exceed \$5,000,000 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 Berkeley 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 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.

DESCRIPTION

This item requests approval of the Berkeley campus 2005-06 Deferred Maintenance and Capital Renewal Program in the amount of \$5,000,000, to be funded from external financing. The projects in this program address priority needs in buildings that house programs eligible for State funding. Continuing the program that addresses the existing backlog of deferred maintenance and the periodic need to renew facilities is one of the University's highest priorities.

A summary of the projects proposed for this program and their estimated cost is included as Attachment 1. The program includes 17 projects that replace deteriorated steam distribution pipes, replace fire alarm systems, restore windows, restore building exteriors and waterproofing systems, restore elevators, and restore HVAC systems in several teaching and research facilities. Renewal of these subsystems would restore reliability and return the facilities to normal operation. While financing approval for the Berkeley 2005-06 Deferred Maintenance and Capital Program is requested at a level of \$5,000,000, the campus has defined projects totaling \$6,225,000 to provide flexibility in implementing the program, so that additional projects can be undertaken if savings are achieved in implementing the highest priority projects or should unforeseen changes result in re-ordered project priorities.

Background

In February 1998, The Regents approved a new multi-year funding approach to address the need for regular, systematic renewal of existing facilities and to reduce the backlog of deferred maintenance projects. This approach used external financing, with repayment of bonds to be made from a portion of the increase over the prior year's UC General Funds, specifically nonresident tuition funds. The amount of funding to be provided for debt service on an annual basis was limited to no more than 5% of the annual increase in UC and State General Funds. This new approach provided a significant level of funding for the systemwide program for the next several years, emphasizing a systems renewal rather than a repair approach in addressing the deferred maintenance backlog.

In the initial program year, 1998-99, this bond-financed program provided \$64.8 million for the systemwide deferred maintenance and capital renewal program. Additional debt was authorized by The Regents for the program in June 1999 (\$64 million), in May 2000 (\$66 million), and in May 2001 (\$45 million), resulting in an infusion of almost \$240 million for capital renewal over a four-year period. A total of approximately \$22 million per year in UC General Funds will be used to pay debt service for all four years. Only high priority projects with long term benefits (minimum useful life of 15 years) were eligible to be funded through this mechanism.

In 2002-03, the systemwide debt financing program for capital renewal and deferred maintenance was suspended because University funds used to support debt financing had to be redirected to offset State funding cuts. However, in order to allow individual campuses to continue to address their capital renewal and deferred maintenance needs, the University initiated a new funding program to authorize campuses to finance long-term debt for this program by pledging a portion of their UC General Fund income to fund high priority projects. Several campuses, including

Berkeley, participated in this program during the three-year period 2002-03 to 2004-05, generating \$47 million in bond funding for this purpose.

The University is committed to continuing this program. This proposal would allow the Berkeley campus to direct a portion of their share of Federal indirect cost recovery deposited to Fund 19933 (known internally as part of the University General Funds) to provide long-term financing for its capital renewal and deferred maintenance program. This program has had a significant impact on reducing the backlog of the highest priority deferred maintenance projects as well as funding many facilities renewal projects.

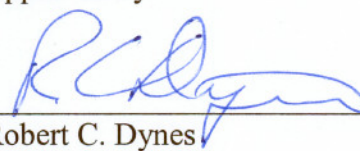
Environmental Classification

In accordance with the California Environmental Quality Act (CEQA) and the University Guidelines for the Implementation of CEQA, as amended, the proposed projects are being evaluated to determine the appropriate level of CEQA documentation for each project.

Financial Feasibility

The total cost of the Berkeley campus 2005-06 Deferred Maintenance and Facilities Renewal Program would be \$5,000,000 to be supported with external financing. A summary of the financial feasibility analysis is presented in Attachment 2. The campus would use its share of the Federal Indirect Cost recovery deposited to campus University General Funds as the pledged source of repayment for the external financing. The projected annual debt service would be approximately \$506,000, calculated at an interest rate of 5.75% for 15 years. The total projected annual debt service from this source, including debt service for the 2002-03 Deferred Maintenance and Capital Renewal Program, would be \$978,000, resulting in debt service coverage of 7.2 times.

Approved by:



Robert C. Dynes
President of the University

12/13/05
Date

Attachments

ATTACHMENT 1

UNIVERSITY OF CALIFORNIA
2005-2006 Deferred Maintenance and Facility Renewal Program
Summary of Projects Requested for Approval

Campus: BERKELEY

Priority	Building Name	Project Title	Project Cost	Total Cost
1	Dwinelle Hall	Replace condensate line	\$150,000	\$150,000
2	Lawrence Hall of Science	Waterproof front plaza	\$175,000	\$175,000
3	O'Brien Hall	Roofing replacement	\$600,000	\$600,000
4	Etcheverry Hall	Replace fire alarm system	\$400,000	\$400,000
5	Lawrence Hall of Science	Replace fire alarm system	\$500,000	\$500,000
6	Giannini Hall	Restore dormer decks	\$1,250,000	\$1,250,000
7	McCone Hall	Restore elevator 3	\$300,000	\$300,000
8	2000 Carleton	Replace fire alarm system	\$250,000	\$250,000
9	Evans Hall	Restore elevators 4 & 5	\$450,000	\$450,000
10	Wurster Hall	Restore exterior windows	\$200,000	\$200,000
11	Giannini Hall	Restore exterior, Phase 1	\$250,000	\$250,000
12	Doe Library	Restore window wall	\$150,000	\$150,000
13	Sather Tower	Restore steeple exterior	\$400,000	\$400,000
14	Giannini Hall	Waterproof basement	\$300,000	\$300,000
15	O'Brien Hall	Restore windows	\$400,000	\$400,000
16	Etcheverry Hall	Waterproof high voltage room	\$100,000	\$100,000
17	Tolman Hall	Replace HVAC system	\$350,000	\$350,000
TOTAL:			\$6,225,000	\$6,225,000

ATTACHMENT 2

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: 2005-06 Berkeley Campus Deferred Maintenance and Facilities Renewal Program

Total Estimated Program Cost: \$5,000,000

Proposed Source(s) of Funding:

External financing \$5,000,000

Proposed Financing Terms:

Interest rate: 5.75% Duration: 15 years

Pledged Source of Repayment (FY 2005-06):

Federal indirect cost recovery deposited
to campus University General Funds (19933) \$7,067,000

Projected annual debt service (proposed project) \$ 506,000

Existing annual debt service (2002-03 program) 472,000

Total estimated annual expense \$ 978,000

Pledge Ratio 14%

Debt Service Coverage 7.2x