



OFFICE OF THE PRESIDENT

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August 3, 2005

**ACTION UNDER PRESIDENT'S AUTHORITY -- APPROVAL OF INTERIM FINANCING FOR THE BERKELEY CAMPUS LIFE-SAFETY FEE 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: Life-Safety Fee Program -- preliminary plans, working drawings, and construction -- \$6,000,000 from the life-safety portion of the Berkeley Campus Fee.

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

- (2) That the President be authorized to obtain interim financing not to exceed \$5,600,000 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 life-safety portion of the Berkeley Campus Fee; 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 authorization of \$5,600,000 (includes \$500,000 for interest expense) in interim financing for the Recreational Sports Facility Exterior, Phase 2 life-safety project, which is a component of the Life-Safety Fee Program listed in the May 2005 Regents' Item on the Berkeley Campus Fee. A project summary is included as Attachment 1.

### *Background*

In May 2005, The Regents approved the continuation and increase of the life-safety portion of the Berkeley Campus Fee through spring 2009. This fee provides funding for needed seismic and other life-safety improvements in student services facilities ineligible, in whole or in part for State-funded maintenance. It is the Berkeley campus's primary fund source to address the safety needs of student services facilities. The extension is estimated to generate about \$10.7 million, of which \$3.5 million will be used for financial aid purposes and \$7.2 million will be available for projects.

The May 2005 Regents' Item identified six projects for an estimated total of \$9,195,000. The major project for funding is Recreational Sports Facility Exterior, Phase 2. Rather than waiting for several years to accrue the equity required, the campus is requesting financing in order to move forward with this project. This action would allow the project to be completed in one phase, rather than requiring it to be split into four phases and funded as the fees are received over the four years of the extension. This would result in cost savings due to the efficiencies obtained from one contracting and contractor mobilization process rather than four. It also prevents additional damage to the building from more seasons of water intrusion, further reducing the cost of repair. In addition, performing the work sooner lessens the risk of the building's structural failure.

### *Project Description*

The Recreational Sports Facility Exterior, Phase 2 project will complete the repair of the exterior of the Recreational Sports Facility begun under Phase 1. The Recreational Sports Facility is the main facility of the Department of Recreational Sports and serves the campus student population. It has an average of 4,000 users per day during the academic year. The campus has identified water intrusion that threatens the structural integrity of the facility. This project will include the removal and replacement of the exterior plaster, waterproofing material, and metal flashings of all exterior walls not addressed under Phase 1; the replacement of corroded steel framing in those walls; and limited roof repair. Additional information concerning the project is included as Attachment 1.

### *Environmental Classification*

This project has been classified "categorically exempt" in accordance with the California Environmental Quality Act (CEQA) and the University of California Procedures for the Implementation of CEQA.

***Financial Feasibility***

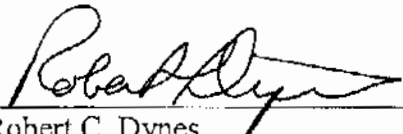
The Recreational Sports Facility Exterior, Phase 2 project will be wholly funded from the fees collected as a result of the extension of the life-safety portion of the Berkeley Campus Fee to 2009.

In September 2005 the funding status is expected to be as follows:

Net fees received and available	\$ 400,000
Future net fees	<u>\$ 5,600,000</u>
Total:	\$ 6,000,000

Approval of interim financing of \$5,600,000 (includes \$500,000 for interest expense) for the Recreational Sports Facility Exterior, Phase 2 project is requested in order to meet the policy of The Regents requiring that all funds necessary to complete construction be in hand prior to issuing the project for bid. The life-safety portion of the Berkeley Campus Fee would be used to repay the loan to the extent it is drawn down. Additional financing information is presented in Attachment 2.

Approved by:

  
Robert C. Dynes  
President of the University

8/15/05  
Date

Attachments

**ATTACHMENT 1**

**University of California  
Life-Safety Fee Program**

**Campus:** Berkeley  
**Project Title:** Recreational Sports Facility Exterior, Phase 2

**Project Description**

The project would complete the repair of the exterior of the Recreational Sports Facility that was begun under Phase 1, including the south and north elevations of the main gymnasium, the west and north elevations of the Kleeberger Field House wing, the office wing, and limited roof repair. The work involves removal and replacement of exterior plaster, waterproofing material, and metal flashings from all exterior walls and windows in the main gymnasium. The work also includes replacement of ventilation-related exterior steel louvers, replacement of corroded steel wall framing, and removal of corrosion on main structural steel components. Roof repair would be carried out as needed to prevent further damage to the structure from water intrusion to the interior spaces and newly repaired walls.

**Student Use**

The Recreational Sports Facility is the main facility of the Department of Recreational Sports and serves the campus student population. It has an average of 4,000 users per day throughout the academic year and includes an 8,500 sq. ft. weight room, three multi-use gyms, thirteen courts, and other facilities serving basketball, volleyball, badminton, squash, racquetball, handball, aerobics, martial arts, etc.

**Life Safety Need**

The Recreational Sports Facility has been found to have serious design and construction flaws that have led to water intrusion. The building is continuing to deteriorate with each year as water continues to enter the building, and delays in correcting the leaks will increase the cost of repair and reduce the structural integrity of the facility.

**Project Budget**

<b>Total Budget</b>	<b>\$6,000,000</b>
Debt-financed	\$0
Other Funds	<b>\$6,000,000</b>

**SUMMARY FINANCIAL FEASIBILITY ANALYSIS**

**Project Title: Life-Safety Fee Program**

**Total Estimated Project Cost:** \$ 6,000,000

**Proposed Sources of Funding:**

Life-Safety Portion of the Berkeley Campus Fee \$ 6,000,000

**Proposed Financing Terms:**

Interest Rate: 7.125%

Interim Financing Duration: 4 years

**Berkeley Campus Fee Information (2005-09)<sup>1</sup>:**

Estimated Net Fee, Life-Safety Portion \$ 7,200,000

Estimated Debt Service<sup>2</sup> \$ 5,600,000

% Funds Pledged 78%

Debt Service Coverage 1.29x

<sup>1</sup> 2005-09 represents the four-year extension of the life-safety portion of the Berkeley Campus Fee approved in May 2005.

<sup>2</sup> Includes \$500,000 for interest expense on the interim financing.