



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>

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ACTION UNDER PRESIDENT'S AUTHORITY—AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENT AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR 2006-07 DEFERRED MAINTENANCE AND FACILITIES RENEWAL PROGRAM, LOS ANGELES CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2006-07 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Los Angeles: 2006-07 Deferred Maintenance and Facilities Renewal Program -- preliminary plans, working drawings, and construction -- \$7,500,000 to be funded from external financing.

Pursuant to Standing Order 100.4(nn)

- (2) The President be authorized to obtain financing not to exceed \$7,500,000 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 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.

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, 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

DESCRIPTION

This item requests authorization of \$7,500,000 in external financing for the 2006-07 Deferred Maintenance Program for the Los Angeles campus. These funds are needed to replace heating, ventilation, and air conditioning (HVAC) systems, building roofs, building plumbing and electrical systems, and roadway/hardscape that are beyond their life expectancy and for which further repairs are no longer cost effective. Addressing the 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 2.

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 eighth year of the University's Deferred Maintenance Program. While financing approval for the Los Angeles 2006-07 Deferred Maintenance and Capital Program is requested at a level of \$7,500,000, the campus has defined projects totaling \$8,916,000 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 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 Los Angeles 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.

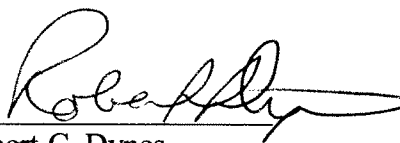
Environmental Classification

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

Financial Feasibility

The total cost of the Los Angeles campus 2006-07 Deferred Maintenance and Facilities Renewal Program would be \$7,500,000 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 \$760,000, calculated at an interest rate of 5.75% for 15 years. Total projected annual debt service from this source, including debt service for the entire Los Angeles Deferred Maintenance and Capital Renewal Program, would be \$3,160,000, with a debt service coverage ratio of 5.806x times.

Approved by:



Robert C. Dynes
President of the University

8/14/06

Date

(Attachments)

ATTACHMENT 1

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title:

2006-07 Los Angeles Campus Deferred Maintenance and Facilities Renewal Program

Total Estimated Program Cost: \$7,500,000

Proposed Source(s) of Funding:

External Financing \$7,500,000

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) \$18,348,000

Estimated Annual Expense:

Projected Annual Debt Service (proposed project)	\$ 760,000
Existing Annual Debt Service (Los Angeles DM Program)	<u>\$ 2,400,000</u>
Total Annual Expense	\$3,160,000

Debt Service Coverage 5.806x

ATTACHMENT 2

University of California, Los Angeles

**2006-07 Deferred Maintenance and Capital Renewal Program
Summary of Projects Requested for Approval**

Project Number	Facility Name	Project Title	Estimated Total
1	School of Medicine	Building Service System Renewal	\$154,000
2	Marion Davies Children's Center	Building Service System Renewal	\$109,000
3	Young Hall	HVAC System Renovation	\$108,000
4	MacGowan Hall	HVAC System Renovation, Phase I	\$595,000
5	Rolfe Hall	HVAC System Renovation	\$227,000
6	Franz Tower	System Supply Fan Refurbishment	\$270,000
7	Molecular Science Building	Fume Hood Control System Refurbishment	\$432,000
8	Boelter Hall	Building Control Modernization	\$189,000
9	Royce Hall	Building Service System Refurbishment	\$146,000
10	Franz Tower	Domestic Hot Water System Renewal	\$108,000
11	Young Hall	Industrial and Domestic Hot Water Heating System Renewal	\$81,000
12	James West Center	HVAC System Renovation, Phase I	\$324,000
13	Jules Stein Eye Institute	Building Hot Water Heating Renewal	\$124,000

Project Number	Facility Name	Project Title	Estimated Total
14	Boyer, Public Policy, Royce, Young Hall, & Boelter	Air Compressor Replacement	\$151,000
15	Throughout Campus	Metering and Control Replacement, Phase II	\$119,000
16	Moore Hall	Steam System Renovation	\$270,000
17	Botany Building	Electrical System Renewal	\$286,000
18	Boelter Hall	Electrical System Renewal, Phase III	\$238,000
19	Campbell Hall	Electrical System Renewal, Phase II	\$173,000
20	Murphy Hall	Electrical System Renewal, Phase III	\$275,000
21	Rofle Hall	Electrical System Renewal, Phase II	\$130,000
22	University Elementary School and Fernald School	Fire Alarm System Replacement	\$92,000
23	External Campus Wide	Light Standard Replacement, Phase VII	\$108,000
24	Boelter Hall	Electrical Lighting System Renewal	\$200,000
25	Factor Building	Automatic Transfer Switch Replacement	\$130,000
26	Franz Hall, Knudsen Hall, and Young Hall	Exterior Lighting Replacement	\$81,000
27	Throughout Campus	Underground Electrical Vaults Refurbishment, Phase II	\$108,000
28	Multiple Buildings	Campus Building Clock System Replacement, Phase II	\$162,000
29	Math Science (Old Wing)	Electrical Lighting System Renewal	\$97,000

Project Number	Facility Name	Project Title	Estimated Total
30	External Campus Wide	Campus Electrical Manhole Grounding Replacement, Phase II	\$81,000
31	Campbell Hall	Plumbing System Replacement	\$108,000
32	Public Policy and Law Building	Storm and Sewer Ejector System Replacement, Phase I	\$108,000
33	School of Public Health	Plumbing System Replacement	\$162,000
34	Throughout Campus	Campus Water Feed Replacement, Phase II	\$162,000
35	Throughout Campus	Storm and Sewer Drain System Renewal, Phase III	\$108,000
36	Warren Hall	Pressure Reducing Valve (PRV) Replacement	\$81,000
37	Young Research Library and Campbell Hall	Water Main Replacement	\$81,000
38	Southern Regional Library, University Elementary School, Botany Building, Warren Hall, Bunche Hall, and Moore Hall	Campus Fire Header Sets (Backflows) Replacement, Phase I	\$108,000
39	University Elementary School	Plumbing System Replacement	\$162,000
40	Portola Plaza (IPAM)	Roof Replacement	\$162,000
41	Math Science (West Wing) and Lower Auditorium	Roof Replacement	\$189,000
42	Rolfe Hall	Roof Replacement	\$194,000
43	Life Sciences, CSBI, Vivarium, Franz, and Boelter	Exterior Duct Coating Refurbishment	\$162,000
44	Rolfe Hall	General Assignment Lecture Hall Renewal	\$211,000
45	Kinsey Hall/Hardscape	Hardscape Replacement	\$324,000

Project Number	Facility Name	Project Title	Estimated Total
46	Franz Hall/Knudsen Hall/ Hardscape	Hardscape Replacement, Phase I	\$378,000
47	Schoenberg Hall West /Hardscape	Hardscape Replacement	\$216,000
48	Westwood Plaza	Roadway Replacement	\$270,000
49	Franz Hall/Knudsen Hall/Hardscape	Hardscape Replacement, Phase II	\$162,000

Total: \$8,916,000