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November 17, 2006

**CHAIRMAN OF THE BOARD  
CHAIRMAN OF THE COMMITTEE ON GROUNDS AND BUILDINGS  
PRESIDENT OF THE UNIVERSITY**

**ACTION BY CONCURRENCE – AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR ROBERT PAINE SCRIPPS CENTER FOR SCIENCE, SOCIETY AND THE ENVIRONMENT, SAN DIEGO CAMPUS**

**EXECUTIVE SUMMARY**

- Campus: San Diego
- Project: Robert Paine Scripps Center for Science, Society and the Environment
- Action: Approval of Budget Augmentation
- Total Cost: \$12,647,000 to be funded from gifts (\$8,410,000), campus funds (\$1,237,000) and external financing (\$3,000,000).
- Previous Actions:
  - May 2002:** Chancellorial Approval of project budget (\$4,980,000)
  - September 2003:** Chancellorial Approval of project design and adoption of Initial Study/Mitigated Negative Declaration
  - August 2004:** Presidential Approval of project budget (\$7,755,000)
- Project Summary:
  - The project would construct a 16,530 gsf (11,920 asf) building to house the Robert Paine Scripps Center
  - Includes auditorium and meeting facilities, food service and catering space, graduate student lounge, and support spaces.
- Issues:
  - Budget augmentation of \$4,892,000
  - Standby financing of \$2,063,000
  - New external financing of \$3,000,000
  - External financing to be repaid by SIO Endowment Funds and future gift funds to be raised.

It is recommended that:

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

From: San Diego: Robert Paine Scripps Center for Science, Society and the Environment - preliminary plans, working drawings, construction, and equipment - \$7,755,000 funded from gift funds.

To: San Diego: Robert Paine Scripps Center for Science, Society and the Environment - preliminary plans, working drawings, construction, and equipment - \$12,647,000 to be funded from gift funds (\$8,410,000), campus funds (\$1,237,000) and external financing (\$3,000,000).

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

- (2) The President approve standby financing to be obtained not to exceed \$2,063,000 prior to awarding a construction contract for any gift funds not received by that time and subject to the following conditions:
  - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
  - b. Repayment of any financing shall be from gift funds, and in the event such gift funds are insufficient, from the UC San Diego campus' share of the University Opportunity Fund; and
  - c. The general credit of The Regents shall not be pledged.
- (3) The President approve and authorize external financing not to exceed \$3,000,000 to finance the project listed in (1) above, subject to the following conditions:
  - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
  - b. Repayment of the debt shall be from the UC San Diego campus' share of the University Opportunity Fund; and
  - c. The general credit of The Regents shall not be pledged.
- (4) 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.

- (5) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

A key to the abbreviations and the project description are 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

2006-07 Budget for Capital Improvements and  
the Capital Improvement Program  
Scheduled for  
Regents' Allocation, Loans, Income Reserves, University Registration Fee Reserves,  
Gift Funds, and Miscellaneous Funds

Campus and Project Title <u>(Total Cost)</u>	<u>Prior Approval</u>		<u>Proposed 2006-07</u>	
<u>San Diego</u>				
Robert Paine	P	\$250,000	G	
Scripps Center for	W	\$600,000	G	
Science, Society	C	\$6,605,000	G	C \$955,000 G
and the	E	\$300,000	G	C \$3,000,000 LB
Environment				C \$937,000 X
				E (\$300,000) G
(\$12,647,000)				E \$300,000 X

**DESCRIPTION**

This action requests approval of a \$4,892,000 budget augmentation for the Robert Paine Scripps Center for Science, Society and the Environment (Center) project at the San Diego campus. This is being requested under the delegation of authority for Action by Concurrence. The approval includes a change in standby financing not to exceed \$2,063,000. Additionally, approval of external financing of \$3,000,000 is requested.

***History and Prior Approvals***

Scripps Institution of Oceanography (SIO) is one of the oldest and largest centers for marine science research, graduate training, and public service in the world. SIO was founded in 1903 as an independent biological research laboratory, which became an integral part of the University of California in 1912. SIO currently does not have modern meeting facilities, with up-to-date audio-visual capabilities, to hold large scientific meetings. Despite advances in technology and widespread use of electronic mail and the Internet, personal, face-to-face communication among scientists collaborating on their research remains the most effective method of exchanging ideas. The Center would bring together the general public, students, members of the national and international ocean science community and other scientists, policy makers, and government and business leaders – those who would make the decisions that would affect the environmental survival of generations to come. This exchange of information is essential in developing the scientific understanding needed in the search for a sustainable environment.

In May 2002, the San Diego Chancellor approved the project at a total project cost of \$4,980,000 funded from gifts. In September 2003, the Chancellor approved the design for the project and adopted the Initial Study/Mitigated Negative Declaration. The project

consisted of 9,400 asf and 14,983 gsf of meeting facilities, an auditorium, a graduate student space and related support spaces.

In August 2004, the President approved an amendment to the Budget for Capital Improvements and the Capital Improvement Program to include the project with a revised total project cost of \$7,755,000 funded from gift funds. The approval included an increase to 11,920 asf and 16,530 gsf. As cited in the August 2004 submittal, the total project cost increased due in part to the following elements.

- Square footage increased by approximately 2,500 asf to enable food service and catering areas to allow the Center to provide on-site food services to its participants and the SIO community, and eliminate the need for more costly off-site meals.
- Cost escalation due to project delay.

### ***Need for Current Augmentation***

The project has been delayed for an additional 18 months due to the campus' receipt of higher than anticipated bids in May 2005 and its subsequent decision to submit the project under more favorable market conditions. However, the volatile construction market has continued to adversely affect the bidding climate; contractors and subcontractors have continued to increase their bid amount to cover higher known material and labor costs, in addition to unknown and uncontrollable future materials price increases. The campus undertook several value engineering exercises throughout the design process in order to bring down the cost of the project, including cost-cutting steps taken through deductive alternates at the time of bid.

### ***Project Description***

The scope of the project is unchanged from the August 2004 approval. The Center would be comprised of 11,920 asf (16,530 gsf) including a large auditorium and modern meeting facilities (5,898 asf), food service and catering (1,977 asf), a graduate student lounge (1,032 asf) and support space/storage space (3,013 asf).

The primary purpose of the Center would be to accommodate scientific meetings and special events hosted by the Scripps Institution of Oceanography. The size of these functions would vary from event to event. The entire Center would have complete audiovisual and teleconferencing equipment and an auditorium to seat up to 300 persons. Multiple computer hookups would provide the capability for networking within the complex, networking with other institutions, and receiving data directly from satellites. An outdoor area to accommodate larger gatherings would be provided adjacent to the buildings. In addition, the project would include a graduate student lounge, currently located in a dilapidated, 45-year old building on the site of the proposed project.

The project site is located west of La Jolla Shores Drive near the southwestern end of SIO at one of two main entrances to the SIO campus. The project scope includes demolition of two dilapidated, 45-year old buildings located on the site -- the Marine Sciences Development Shop building and the aforementioned graduate student lounge.

Replacement of the Marine Sciences Development Shop is part of a separate project currently in construction with completion slated for September 2006.

Construction of the Center project is now scheduled to begin in November 2006 and would be completed in December 2007.

***CEQA Classification***

In accordance with University of California guidelines for the implementation of the California Environmental Quality Act, an Initial Study/Mitigated Negative Declaration (IS/MND) was prepared for consideration in conjunction with the project design approval and adopted by the UCSD Chancellor in 2003, and by the President in August 2004 when the scope was increased to add food service/catering components. The prior change in scope and current increase in the budget do not alter the conclusions of the environmental document, no additional work is required, and no changes have occurred in the environmental setting which would require further analysis.

***Financial Feasibility***

The revised total project cost of \$12,647,000 would be funded from a combination of gifts (\$8,410,000), campus funds (\$1,237,000) and external financing (\$3,000,000).

As of October 2006, the status of gifts for this project is as follows:

Gifts In Hand	\$6,347,000
Gifts Pledged (cash to be received by December 2011)	<u>\$2,063,000</u>
Total	\$8,410,000

As gift funds would be collected over time, approval for standby financing is requested in order to meet Regental policy to have funds on hand when the bid is awarded.

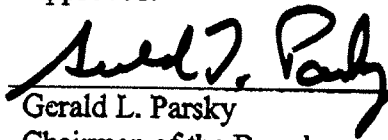
Standby financing of \$2,063,000 (\$3,166,000 was approved in the August 2004 action) is requested to support the remainder of written pledges to be collected. Gift funds would continue to be collected during the construction phase and after completion. As gift funds are received, the campus would prepay the principal amounts outstanding on the standby financing.

Based on long-term debt of \$3,000,000 amortized over 30 years at 6.125%, the estimated average annual debt service would be \$220,870. The San Diego campus' share of the University Opportunity Fund has been pledged as the source of repayment. Opportunity Funds are a portion of the indirect cost recovery on federal contracts and grants. The University Opportunity Fund Debt Repayment Policy requires that campuses meet two financial tests: (1) that the amount pledged for debt payments shall not exceed 65% of the campus's total Opportunity Funds allocated each year, and (2) that no more than 33% of the campus's total Opportunity Funds allocated each year are used for debt service payment. The San Diego campus meets both tests. In fiscal year 2009-10, the first full year of principal and interest payments for the project, 60.9% of Opportunity Funds are pledged for debt service. Inclusive of this amount and other planned projects for external

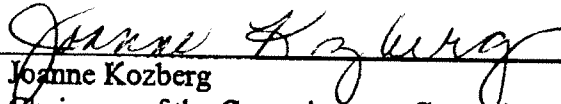
financing from Opportunity Funds, the campus is within the prescribed Opportunity Fund Pledge and payment limits.

Additional information regarding the project budget and comparable projects is included as Attachment 1, and additional financial information is shown on Attachment 2.

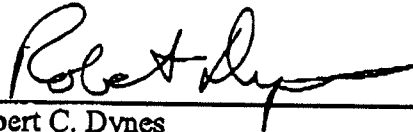
Approved:



Gerald L. Parsky  
Chairman of the Board



Joanne Kozberg  
Chairman of the Committee on Grounds and Buildings



Robert C. Dynes  
President of the University