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ACTION UNDER PRESIDENT'S AUTHORITY – AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND EXTERNAL FINANCING FOR 2007-08 DEFERRED MAINTENANCE AND FACILITIES RENEWAL PROGRAM, BERKELEY CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2007-08 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Berkeley: 2007-08 Deferred Maintenance and Facilities Renewal Program – preliminary plans, working drawings, and construction — \$5,000,000 to be funded from external financing.

Pursuant to Standing Order 100.4(nn)

- (2) The President be authorized to obtain financing not to exceed \$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. As long as the debt is outstanding, the Berkeley campus' share of the Federal Indirect Cost Recovery deposited to Fund 19933 shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing; 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 \$5,000,000 in external financing for the 2007-08 Deferred Maintenance and Facilities Renewal Program for the Berkeley campus. These funds are needed to replace deteriorated roofs and windows, restore building exteriors and waterproofing systems, replace HVAC systems, restore drainage systems and replace water lines. A summary of the projects proposed for this program and their estimated cost is included as Attachment 1.

The total estimated cost of these projects in Attachment 1 is \$10,246,000, although only \$5,000,000 of external financing is requested. The highest priority projects would be initiated first. As individual projects proceed, the campus would assess any changes in facility conditions that might alter the relative priority of remaining projects. Projects would continue to be implemented until all approved funds are utilized.

Background

The Berkeley campus is faced with deteriorating building systems in numerous facilities. Of the state-eligible space, 77% of the space was built before 1970, and 45% was built over 50 years ago.

With capital budgets constrained, the campus has deferred renewal of these systems in several older buildings. In many cases, systems are now beyond their useful life and are in critical need of repair or replacement. Renewal of these subsystems would restore reliability and return the facilities to normal operation.

Project Description

The program includes 17 projects that replace deteriorated roofs and windows, restore building exteriors and waterproofing systems, replace HVAC systems, restore drainage systems and replace water lines. All of these buildings are over 45 years old with the oldest building being 112 years old. The buildings at issue are O'Brien, Hilgard Hall, Oxford Research, Channing, Piedmont, Moses Hall, Wurster-Minor, North Gate, Giannini Hall, Carleton, Lewis Hall, Haviland Hall, and Giauque Lab.

The projects are expected to extend the life of plumbing and roofing systems, exterior systems, windows, chimney, and roofing by 20 to 30 years.

Program Background

In February 1998, The Regents approved external financing with repayment of bonds made from a portion of the increase over the prior year's UC General Funds, specifically nonresident tuition funds, to address the need for regular systematic renewal of existing facilities and to reduce the backlog of deferred maintenance projects. This bond-financed program resulted in an infusion of almost \$240 million for capital renewal over a four-year period.

In 2002-03, the systemwide debt financing program for capital renewal and deferred maintenance was suspended because the University funds used to support debt financing was 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 have participated in this program during the four-year period 2002-03 to 2006-07, generating approximately \$140 million in bond funding for this purpose.

The University is committed to continuing the deferred maintenance and capital renewal 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 deferred maintenance and facilities renewal program.

Sustainability

These deferred maintenance projects will comply with the UC Policy on Sustainable Practices. As required by this policy, the projects will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements.

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 2007-08 Deferred Maintenance and Facilities Renewal Program would be \$5,000,000 funded from external financing.

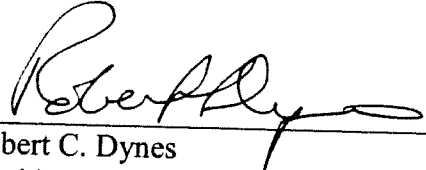
As long as the debt is outstanding, the Berkeley campus' share of the Federal Indirect Cost Recovery deposited to Fund 19933 shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing. The projected annual debt service would be approximately \$498,000, calculated at an interest rate of 5.50% for 15 years. Total projected annual debt service, including the 2002-03, 2005-06, and 2006-07

Deferred Maintenance and Facilities Renewal Programs, would be \$1,982,000, which results in debt service coverage of 2.85 times.

The external financing will be paid from specific revenue sources specified in the external financing documents; therefore, the general credit of The Regents will not be pledged.

A summary of the financial feasibility analysis is presented in Attachment 2.

Approved by:


Robert C. Dynes
President of the University

2/4/08
Date

Attachments

UNIVERSITY OF CALIFORNIA
2007-08 Deferred Maintenance and Capital Renewal Program
Summary of Projects Requested for Approval

Campus: BERKELEY

Priority	Building Name	Project Title	Project Cost
1	2224 Piedmont	Waterproof basement walls	\$200,000
2	O'Brien Hall	Roof replacement phase 2	\$600,000
3	Hilgard Hall	Restore roofing system, Phase 2	\$1,523,000
4	Oxford Res	Restore greenhouses drainage system	\$500,000
5	2536 Channing	Restore chimney and exterior walls	\$500,000
6	Moses Hall	Replace flat roofs	\$500,000
7	2521 Channing	Restore exterior windows	\$150,000
8	Infrastructure	Replace water line near Wurster	\$101,000
9	North Gate	Restore exterior windows phase 1	\$155,000
10	Giannini Hall	Waterproof basement	\$309,000
11	Giannini Hall	Restore Exterior Phase II	\$500,000
12	2538A Channing	Replace roofs at the D building	\$200,000
13	2000 Carleton	Restore roofing systems	\$1,236,000
14	Lewis Hall	Restore exterior walls	\$700,000
15	2536A Channing	Replace roofs at the F building	\$400,000
16	Haviland Hall	Restore exterior, Phase III	\$2,472,000
17	Giauque Lab	Replace water station	\$200,000
TOTAL:			\$10,246,000

ATTACHMENT 2

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: 2007-08 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: 5.50% Duration: 15 years

Pledged Source of Repayment (FY 2007-08):

Federal indirect cost recovery deposited
to campus University General Funds (19933) \$ 5,639,000

Projected annual debt service (proposed project) \$ 498,000

Existing annual debt service \$ 1,484,000

Total estimated annual expense \$ 1,982,000

Debt Service Coverage 2.85x