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ACTION UNDER PRESIDENT'S AUTHORITY – AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND EXTERNAL FINANCING, 2008-09 DEFERRED MAINTENANCE AND CAPITAL RENEWAL PROGRAM, BERKELEY CAMPUS

It is recommended that:

Pursuant to Standing Order 100.4(q)

- (1) The President amend the 2008-09 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Berkeley: 2008-09 Deferred Maintenance and Capital 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 external financing not to exceed \$5,000,000 prior to awarding a construction contract. The President shall require that:
 - 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 execute all documents necessary in connection with the above.

DESCRIPTION

This item requests authorization of \$5,000,000 in external financing for the 2008-09 Deferred Maintenance and Capital Renewal Program for the Berkeley campus. These funds are needed for a variety of purposes including replacement of deteriorated roofs and windows, fire alarm systems, electrical and HVAC systems; and restoration of building exteriors, waterproofing systems, and elevators. A summary of the prioritized list of projects proposed for this program are included in Attachment 1.

The total estimated cost of these projects is \$7,335,000, 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 external financing authority is utilized.

Background

The Berkeley campus is faced with deteriorating conditions and building systems in numerous facilities. Of the state-eligible space, 77 percent of the space was built before 1970, and 45 percent was built over 50 years ago. With capital budgets constrained, the campus has deferred renewal of building 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 systems would restore reliability and return the facilities to normal operation.

Project Description

The program includes twenty-one projects that replace deteriorated roofs and windows, fire alarm systems, electrical and HVAC systems; and restore building exteriors, waterproofing systems, and elevators. Renewal of these subsystems would restore reliability and return the facilities to normal operation. All of these structures are over 45 years old, with the oldest building being 136 years old. Buildings that are to receive these renovations include: Dwinelle Hall, Sather Gate, South Hall, Giauque Lab, 2222 Piedmont, 2538 Channing, LeConte Hall, Hearst Gym, Morrison Library, Sather Tower, Hesse Hall, and University Hall.

The projects are expected to extend the life of roofing systems, exterior systems, windows, and elevators by at least 20 years.

Program Background

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

In 2002-03, the system-wide debt financing program for capital renewal and deferred maintenance was suspended because the University funds used to support debt financing needed 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 by pledging a portion of their UC General Fund income to fund high priority projects. Several campuses have participated in this program during the period from 2002-03 to 2007-08, 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 to provide long-term financing for its deferred maintenance and facilities renewal program.

Policy on Sustainable Practices

These deferred maintenance projects will comply with the *University of California 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, which will occur at the times facility upgrades are authorized.

Financial Feasibility

The total cost of the Berkeley campus 2008-09 Deferred Maintenance and Capital Renewal Program would be \$5,000,000 to be 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 \$506,000, calculated at a tax-exempt interest rate of 5.75 percent for fifteen years. Total projected annual debt service that includes the 2002-03, 2005-06, 2006-07, 2007-08 Deferred Maintenance and Capital Renewal Programs, would be \$2,425,000, which results in debt service coverage of 2.33 times.

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

UNIVERSITY OF CALIFORNIA
2008-09 Deferred Maintenance and Capital Renewal Program
Summary of Projects Requested for Approval

Campus: **BERKELEY**

Priority	Building Name	Project Title	Estimated Project Cost
1	Sather Gate	Sather Gate Restoration	\$ 1,650,000
2	LeConte Hall	LeConte Hall Lower Deck Replacement	\$ 600,000
3	Sather Tower	Sather Tower Roof and Related Structural Concrete Restoration	\$ 900,000
4	Life Sciences Addition	Life Sciences Addition Elevator Controllers Replacement	\$ 150,000
5	Dwinelle Hall	Dwinelle Hall Exterior Windows Replacement Phase 1	\$ 309,000
6	Silver Lab	Silver Lab 12KV Switch Replacement	\$ 60,000
7	2538 Channing	2538 Channing Roof and Skylight Replacement	\$ 200,000
8	Sagehen Creek South Cabin	Sagehen Creek South Cabin Foundation Replacement	\$ 20,000
9	Sagehen Creek North Cabin	Sagehen Creek North Cabin Foundation Replacement	\$ 20,000
10	Zellerbach Hall	Zellerbach Hall Ground Water Intrusion Abatement	\$ 75,000
11	South Hall	South Hall Elevator Restoration	\$ 406,000
12	Giauque Lab	Giauque Lab HVAC Equipment Replacement	\$ 600,000
13	Hearst Gym	Hearst Gym Fire Alarm System Replacement	\$ 300,000
14	Minor Addition	Minor Addition HVAC System Restoration Phase 1	\$ 400,000
15	2222 Piedmont	2222 Piedmont Front Porch Restoration	\$ 25,000
16	Morrison Hall	Morrison Hall Roof Replacement	\$ 500,000
17	Hildebrand Hall	Hildebrand Hall Heating Hot Water Heat Exchanger Replacement	\$ 150,000
18	Moffitt Library	Moffitt Library Roof Replacement	\$ 800,000
19	Hesse Hall	Hesse Hall Exterior Doors Replacement Phase 1	\$ 40,000
20	2222 Piedmont	2222 Piedmont Electrical Wiring Replacement	\$ 100,000
21	University Hall	University Hall Package Air Condition Replacement	\$ 30,000
		TOTAL	\$ 7,335,000

ATTACHMENT 2

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: 2008-09 Deferred Maintenance and Capital 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 2007-08):

Federal Indirect Cost Recovery
Campus Allocation of Fund 19933 \$ 5,639,000

Estimated Annual Expense:

Projected Annual Debt Service (proposed project) \$ 506,000
Existing Annual Debt Service \$ 1,919,000
Total Annual Expense \$ 2,425,000

Debt Service Coverage 2.33x