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March 3, 2009

ACTION UNDER PRESIDENT'S AUTHORITY - AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENT AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING, 2009-2011 STATEWIDE ENERGY PARTNERSHIP PROGRAM, SAN DIEGO 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:

San Diego: 2009-2011 Statewide Energy Partnership Program – preliminary plans – \$463,000 to be funded from external financing.

Pursuant to Standing Order 100.4(nn)

- (2) The President approve external financing not to exceed \$463,000 to finance the preliminary plans of the 2009-2011 Statewide Energy Partnership Program projects. The President requires 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 San Diego campus' share of State operating funds (as provided for under terms set forth in Provision 2 of Item 6440-001-0001 of Section 2.00 of the 2008 Budget Act) shall be used to pay 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 in connection with the above.

DESCRIPTION

In November 2008, the Regents delegated authority to the President to obtain external financing for preliminary planning for the 2009-2011 Statewide Energy Partnership Program (Partnership). The San Diego campus requests approval of \$450 thousand from external financing for preliminary plans. This financing is needed to allow the campus to plan projects for immediate implementation as soon as full budget approval is obtained from the Regents. Waiting to proceed with this preliminary planning and engineering until full budget approval is secured would significantly delay the start of these energy projects and thus jeopardize the campus's ability to meet its 2009 energy savings commitment under the Partnership.

Project Description

The campus intends to begin preliminary plans for the following energy-saving capital improvement projects:

- conversion of research laboratory air handlers and fume hoods to Variable Air Volume systems in four buildings;
- addition of a fuel cell heat recovery chiller at East Campus Utility Plant; and
- improvement of chilled water distribution

Attached is a list of projects in State-supported facilities for which funding is requested for preliminary plans (Attachment 1).

Through the Partnership, campuses have made substantial commitments to reduce energy consumption for each year of the three-year program. The requested financing will make it possible for the San Diego campus to proceed with preliminary planning and engineering on a first set of energy efficiency projects, so that it can move forward immediately to complete these projects as soon as full budget approval is obtained from the Regents.

Policy on Sustainable Practices

The 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.

CEQA Classification

Prior to approving the proposed project, the University will comply with the California Environmental Quality Act and University Guidelines for implementation of CEQA, as necessary.

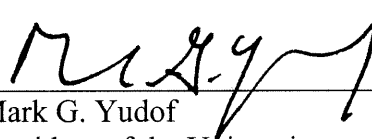
Financial Feasibility

The requested funding of \$463 thousand for preliminary planning, with an additional \$13 thousand for interest during construction, will be externally financed with State operating funds, pursuant to Provision 2 of Section 6440-001-0001 of the 2008 State Budget Act. Based on long-term debt of \$463 thousand amortized over 15 years at 5.75 percent interest, the annual debt service is estimated at \$47 thousand. As long as the debt is outstanding, State operating funds shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing (see Attachment 2 for additional details).

For each campus fund source, annual debt service on the portfolio of projects is not to exceed 85 percent of the energy savings gained from the financed projects. This threshold is intended to ensure that for each campus fund source, annual energy savings from projects implemented through the Partnership will be greater than the debt service required to finance the projects.

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.

Approved by:

 3/3/09
Mark G. Yudof Date
President of the University

Attachments

ATTACHMENT 1

STRATEGIC ENERGY PLAN PROJECTS, SAN DIEGO CAMPUS

SEP ID#	Building Name	Project Type
F2064	Sverdurp Hall	Upgrade to Variable Air Volume Fume Hoods
F3136	First Electric Savings Component of 2009 Deferred Maintenance and Capital Renewal Projects	
	Urey Hall	Upgrade to Variable Air Volume Fume Hoods
	Pacific Hall	Upgrade to Variable Air Volume Fume Hoods
	Stein Clinical Research Building	Upgrade to Variable Air Volume Fume Hoods
	n/a	SIO Lower Chilled Water Loop Improvements
F3070	East Campus Utilities – Fuel Cell	Chiller Addition

ATTACHMENT 2

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title:

San Diego Campus - 2009-2011 Statewide Energy Partnership Program (Planning Phase)

Total Estimated Program Cost: \$ 450,000

Proposed Source(s) of Funding:

External Financing \$ 450,000

Proposed Financing Terms:

Interest rate: 5.75% Duration: 15 years

Pledged Source of Repayment:

State Operating Funds
External Financing \$ 463,000

Net Income Prior to Debt Service \$ 59,000

Annual Debt Service:

Projected Annual Debt Service (proposed project) \$ 47,000
Existing Annual Debt Service \$ 0
Total Annual Expense \$ 47,000

Debt Service Coverage 1.25x