



1111 Franklin Street
Oakland, CA 94607-5200
Phone: (510) 987-9074
Fax: (510) 987-9086
<http://www.ucop.edu>

December 15, 2009

ACTION UNDER PRESIDENT'S AUTHORITY – APPROVAL OF EXTERNAL FINANCING, INFRASTRUCTURE RENEWAL PHASE 1, SANTA BARBARA CAMPUS

CAMPUS	Santa Barbara
PROJECT	Infrastructure Renewal Phase 1
PROJECT NUMBER	986080
PROPOSED ACTIONS	Approval of external financing (\$2,800,000) to the previously approved budget (\$17,673,000).
PREVIOUS ACTIONS	<p>November 2005: budget (\$15,150,000) approved as part of the <i>2006-2007 Budget for State Capital Improvements (Budget)</i></p> <p>November 2006: project included in the <i>2007-2008 Budget</i></p> <p>November 2007: project included in the <i>2008-2009 Budget</i></p> <p>November 2008: project included in the <i>2009-2010 Budget</i></p> <p>November 2009: project included in the <i>2010-2011 Budget</i></p>
<u>PROJECT SUMMARY</u>	
PROJECT PROGRAM	<ul style="list-style-type: none"> • Replace or upgrade major systems including natural gas, potable water, storm drainage, and sanitary sewer. • Includes most of the main distribution systems and lateral lines connecting the main systems to campus buildings. • Project and scope remains the same as approved by Regents in November 2005
TOTAL PROJECT COST	\$17,673,000
FUNDING SOURCES	State (\$11,723,000), Campus funds (\$3,150,000), External Financing (\$2,800,000)
SQUARE FOOTAGE	n/a
BACKGROUND/ISSUES	<ul style="list-style-type: none"> • November 2009 budget action approved the budget request for the State for the <i>2010-11 Budget for State Capital Improvements</i> • The proposed action requests approval of the external financing • Completion of the fully scoped infrastructure improvement project is contingent on receipt of State funds. Project has been designed to enable phased development. Each completed phase will be fully operational.

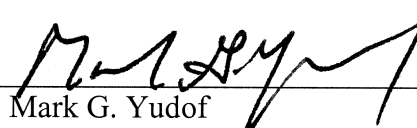
RECOMMENDATION

It is recommended that:

Pursuant to Standing Order 100.4(nn)

- A. The President approve external financing not to exceed \$2,800,000 to finance the *Infrastructure Renewal Phase 1* project. The President requires that:
1. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 2. As long as the debt is outstanding, the Santa Barbara's Housing Net Revenues from the Santa Barbara campus shall be maintained in amounts sufficient to pay debt service and to meet related requirements of the authorized financing.
 3. The general credit of the Regents shall not be pledged.
- B. The Officers of the University be authorized to execute all documents necessary in connection with the above.

Approved:



Mark G. Yudof
President of the University



Date

ATTACHMENTS:

- Attachment 1: Project Description
Attachment 2: Project Budget
Attachment 3: Funding Plan
Attachment 4: Summary Financial Feasibility Analysis

<u>PROJECT DESCRIPTION</u>	
A. CONTEXT AND GOALS	
<ul style="list-style-type: none"> • First phase of a multi-phase effort to improve reliability and operational efficiency of the Santa Barbara's campus infrastructure. • Comprehensive assessment of the utility infrastructure found the existing systems to be old, outdated, undersized, and deteriorating to a point where failures and breaks are a regular occurrence. The systems lack capacity to accommodate current campus development and projected growth. 	
B. PROJECT PROGRAM AND SCOPE ⁽¹⁾	
<ul style="list-style-type: none"> • Program and scope remain the same as approved by the Regents in November 2005 [see page 1] • Replaces, consolidates and installs: <ul style="list-style-type: none"> ◦ almost half of the campus renewal and upgrade program improvements for the storm water system, ◦ one-third of the program improvements for sanitary sewer, ◦ nearly 10 percent of the program for water lines, ◦ one-quarter of the program for gas lines, and ◦ over half of the program for reclaimed water lines. • New infrastructure will serve both instruction and research facilities as well as facilities serving campus auxiliaries, such as Housing, Parking, University Center, and Recreation. Per State policy for project that serve both State and non-State funded facilities, funding of the project is divided between State and campus funds; in this case because the infrastructure serves auxiliaries, the funds to be used are Santa Barbara's Housing Net Revenues from the Santa Barbara campus. • Consistent with the requirements of the California Environmental Quality Act (CEQA), an Initial Study/Mitigated Negative Declaration (IS/MND) was prepared Infrastructure Renewal Phase 1 and parts of Phase II. Phase II elements not yet analyzed by CEQA include the Ocean and Lagoon Road storm drain projects to divert storm water away from the ocean bluffs. These elements will undergo separate analysis. • The Draft MND for the MCIRP project was circulated for public review and comment for a 30-day period from Thursday October 25 to Friday November 23, 2007. During the public review period one written comment letter was received from the Native American Heritage Commission. • The Initial Study/Mitigated Negative Declaration was adopted by the University of California, Santa Barbara Chancellor in November 2007, following a 30 day public review period. Infrastructure Renewal Phase I project was approved by the California Coastal Commission on December 9, 2009. 	
C. LOCATION	
Site	Campuswide

⁽¹⁾ Additional information on project budget and cost drivers may be found in Attachment 2.

D. SCHEDULE	
Construction Start	March 2010
Completion	May 2012
E. SUSTAINABILITY	
Target LEED™ Rating	• NA
F. PROJECT CONFORMANCE	
Five Year Capital Program, State and Non-State Funds, FY 2009-10 to FY 2014-15	• Included

ATTACHMENT 2

PROJECT BUDGET CCCI 5565

Category	Total	% of Total
Site Clearance		
Building		
Exterior Utilities	\$14,465,000	81.8%
Site Development		
A/E Fees ⁽²⁾	1,111,000	6.3%
Campus Administration ⁽³⁾	\$754,000	4.3%
Surveys, Tests, Plans	\$215,000	1.2%
Special Items ⁽⁴⁾	\$386,000	2.2%
Contingency	\$742,000	4.2%
Total	\$17,673,000	100%
Group 2 & 3 Equipment		
Project Total	\$17,673,000	

⁽²⁾ Fees include architectural and engineering services.

⁽³⁾ Campus Administration includes project management and inspection services

⁽⁴⁾ Special items include: Computer System Modeling Consultant, Asbestos Consultant, and EIR/Coastal Commission/Permits totaling \$386,000. The typical provision in the special items budget for interest costs on temporary construction period financing is not included, as permanent bond financing has already been acquired for this project. Interest charges on the permanent financing, both during construction and thereafter, are budgeted within the Housing operating budget, consistent with the financial feasibility analysis..

ATTACHMENT 3

ATTACHMENT 3

<u>FUNDING PLAN</u>			
A. TOTAL PROJECT COST (\$ 17,673,000)			
Funding Sources	<ul style="list-style-type: none">• State: \$11,723,000• Campus Funds: \$3,150,000• External Financing: \$2,800,000		
B. STATE			
Amount	\$11,723,000		
<ul style="list-style-type: none">• State portion of preliminary plans and working drawings were funded in the 2006 and 2007 State Budget Acts.• Funding for the state-supported construction scope is proposed in the 2010-11 State Budget.			
C. CAMPUS FUNDS			
Amount	\$3,150,000		
D. EXTERNAL FINANCING			
Tax-Exempt Amount	\$2,800,000		
Tax-Exempt Rate	5.00%	Term	15 years
Annual Estimated Debt Service:	\$270,000	Debt Service Coverage (2011-12)	1.27x
Pledged Source of Repayment	<ul style="list-style-type: none">• Housing Net Revenues from the Santa Barbara campus		
<ul style="list-style-type: none">• As long as the debt is outstanding, the Housing Net Revenues from the Santa Barbara campus shall be maintained in amounts sufficient to pay debt service and to meet related requirements of the authorized financing.• Additional information on financial feasibility may be found on Attachment 4.• 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			

ATTACHMENT 4

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: Infrastructure Renewal Phase 1

Total Project Cost: \$ 17,673,000

Proposed Source of Funding:

State	\$ 11,723,000
Campus Funds	3,150,000
External Financing	<u>2,800,000</u>
Total Project	\$ 17,673,000

Projected Financing Terms:

Interest Rate: 5.00% Duration: 15 years

Estimated UCSB Housing Annual Revenue (2011-12)⁵:

Total Estimated Revenue \$ 90,649,931 [a]

Estimated UCSB Housing Annual Operating Expense (2011-12)^a:

Total Estimated Annual Operating Expense \$ 58,226,397 [b]

Estimated Annual Net Revenues Available for Debt Service \$ 32,423,534 [c = a-b]

Estimated UCSB Housing Annual Debt Service (2011-12)^a:

Proposed new debt service	\$ 269,758
Existing debt service	<u>25,178,804</u>
Total Debt Service	\$ 25,448,562 [d]

UC Santa Barbara Housing Summary Information (2011-12)^a:

Estimated Annual Net Revenue	\$ 32,423,533 [c]
Estimated Annual Debt Service	25,448,562 [d]
Estimated Annual Surplus for Major Maintenance	6,974,971 [c-d]
Estimated Debt Service Coverage	1.27x [c/d]

⁵ Represents first full year of principal and interest payments.