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, COWELL STUDENT HEALTH CENTER EXPANSION AND RENOVATION, SANTA CRUZ CAMPUS

EXECUTIVE SUMMARY

Campus: Santa Cruz
Project: Cowell Student Health Center Expansion and Renovation
Action: Approval of budget augmentation of $1,297,000 and increase of external financing of $1,297,000.
Total Cost: $12,309,000 to be funded from Registration Fee reserves ($250,000) and external financing ($12,059,000).
Project Summary: Construction of two major capital improvement projects has begun at the Cowell Student Health Center. The Cowell Student Health Center Expansion and Renovation project will add a new wing to the Health Center and renovate the existing facility to provide appropriate space for Student Health Services and Counseling and Psychological Services. The Student Life Seismic Corrections project will address seismic, life, safety, and accessibility for the existing facility. The proposed augmentation would use a new student fee to purchase and install additional green materials, implement green practices, and obtain a USGBC LEED “Silver” certification for the Health Center.
Issues:

- Budget augmentation of $1,297,000 to be funded from external financing.
- In May 2008, the students voted to establish a new compulsory fee of $5.20 per quarter, per student to pay the debt associated with purchasing and installing additional green materials, implementing green practices, and obtaining a USGBC LEED “Silver” certification for the Cowell Student Health Center.
- This augmentation would provide the first student-fee funded LEED certified facility on the Santa Cruz campus.

It is recommended that:

**Pursuant to Standing Order 100.4(q)**

(1) The President, subject to concurrence of the Chairman of the Board and the Chairman of the Committee on Grounds and Buildings, amend the 2008-09 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

From: Santa Cruz: Cowell Student Health Center Expansion and Renovation - preliminary plans, working drawings, and construction - $11,012,000 to be funded from Registration Fee reserves ($250,000) and external financing ($10,762,000).

To: Santa Cruz: Cowell Student Health Center Expansion and Renovation - preliminary plans, working drawings, and construction - $12,309,000 to be funded from Registration Fee reserves ($250,000) and external financing ($12,059,000).

**Pursuant to Standing Order 100.4(nn)**

Deletions shown by strikeout; additions by underscore

(2) The President approve and authorize external financing not to exceed $12,059,000 $10,762,000 to finance the Cowell Student Health Center Expansion and Renovation 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 any financing shall be from the Santa Cruz campus’ Student Health Center Facilities Fee and revenues from the Health Center Fee for Service. As long as the debt is outstanding, the Santa Cruz campus’ Student Health Center Facilities Fee approved by student vote in spring 2005 and approved by the President July 2005, and the Student Health Center Green Building Fee approved by student vote in May 2008 and approved by the President in June 2008, shall be
maintained in amounts sufficient to pay debt service and to meet 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 to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.

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

A Key to abbreviations and the project description are provided below.

(Attachments)
KEY
Capital Improvement Program Abbreviations

S  Studies
P  Preliminary Plans
W  Working Drawings
C  Construction
E  Equipment
-  State Funds (no abbreviation)
F  Federal Funds
G  Gifts
HR Hospital Reserve Funds
I  California Institutes for Science and Innovation
LB Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Standby, Interim and Bank Loans)
LR Regents’ Loans (Internal Loans)
N Reserves other than University Registration Fee (Housing and Parking Reserves)
R University Registration Fee Reserves
U Regents’ Appropriations (President’s Funds, Educational Fund)
X Campus Funds
CCCI California Construction Cost Index
EPI Equipment Price Index
2008-09 Budget for Capital Improvements and Capital Improvement Program Scheduled for Regent's Allocations, Loans, Income Reserves, University Registration Fee Reserves, Gift Funds, and Miscellaneous Funds

<table>
<thead>
<tr>
<th>Campus and Project Title</th>
<th>(Total Cost)</th>
<th>Approved 2008-09</th>
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<tbody>
<tr>
<td>Santa Cruz</td>
<td></td>
<td></td>
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<tr>
<td>Cowell Student Health Center Expansion and Renovation</td>
<td>$12,309,000</td>
<td>Proposed $1,297,000</td>
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<tr>
<td>Health Center</td>
<td>$207,000</td>
<td>P $250,000 R LB</td>
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<tr>
<td>Expansion and Renovation</td>
<td>$1,317,000</td>
<td>W $1,317,000 LB</td>
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<tr>
<td></td>
<td>$9,238,000</td>
<td>C $9,238,000 LB</td>
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($12,309,000)

DESCRIPTION

The Santa Cruz campus requests approval of a $1,297,000 budget augmentation and authorization for an increase in external financing for the Cowell Student Health Center Expansion and Renovation project.

Background and Need for Budget Augmentation

In spring 2005, Santa Cruz students approved the Student Health Center Facilities Fee referendum (Measure 18) to assess graduate and undergraduate students a fixed fee of $27 per student per quarter. The fee was included in a list of compulsory campus-based fees approved under the President’s delegated authority in July 2005.

In May 2007, the Cowell Student Health Center Expansion and Renovation project was approved under an Action by Concurrence at a total project cost of $11,012,000 funded from Registration Fee reserves ($250,000) and external financing ($10,762,000). The “expansion” project adds a new wing to the Health Center and renovates the existing facility to provide appropriate space for Student Health Services and Counseling and Psychological Services. In May 2007, the Student Life Seismic Corrections project was also approved involving the Health Center with the scope of work addressing seismic, life safety, and accessibility.

Construction on these projects began concurrently in June 2008 and is anticipated to be completed in September 2009. The approved projects are designed to achieve an equivalent of the U.S. Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) 2.2 “Certified” rating and/or outperform the provisions of the California Energy Code’s energy-efficiency standards by at least 20 percent.
In May 2008, the Santa Cruz students voted to pass the Student Health Center Green Building Fee initiative (Measure 35) to assess graduate and undergraduate students a compulsory fixed fee of $5.20 per student per quarter. The fee was approved by the President in June 2008 and will be used to pay the debt associated with purchasing and installing additional green materials, implementing green practices, and obtaining a USGBC LEED “Silver” Certification for the Cowell Student Health Center. The intent of the fee is to incorporate these additional materials into the Health Center during the construction and renovation of the facility and to obtain certification during fall 2009.

**Project Description**

The base scope of the *Cowell Student Health Center Expansion and Renovation* project would not change. The proposed augmentation would upgrade some materials, finishes, and building systems to meet or surpass the requirements necessary to obtain a LEED “Silver” Certification.

In lieu of patching the roof on the existing structure, this augmentation would install a new roof that would extend the roof life and reduce the “heat island” effect. New exterior pathways would be constructed with pervious pavers instead of concrete or asphalt, thereby allowing more stormwater to penetrate into the ground and reducing the amount of runoff that would cause erosion in the campus’ natural arroyos. Existing asphalt/concrete pathways also would be replaced using the same pervious materials. This augmentation would also include the use of more resilient and sustainable flooring products and countertops, and the existing asbestos acoustical ceiling would be replaced.

This budget augmentation would also cover the cost of professional design services, additional contractor documentation and labor (beyond what is required by the base project), LEED building commissioning, and additional campus overhead including project management, coordination, inspection, and documentation associated with incorporating the additional green materials and obtaining the LEED Silver certification.

**Policy on Sustainable Practices**

This project will comply with the *University of California Policy on Sustainable Practices*. As required by this policy, the project will adopt the principles of energy efficiency and sustainability to the fullest extent possible, consistent with budgetary constraints and regulatory and programmatic requirements. With the approval of this budget augmentation and external financing, the campus will purchase and install additional green materials, implement green practices, and obtain a USGBC LEED “Silver” certification for the Cowell Student Health Center.

**CEQA Classification**

In January 2008, the University adopted an Initial Study and Mitigated Negative Declaration for the *Cowell Student Health Center Expansion and Renovation* project. Because the proposed “green” alternates were included in the Initial Study and Mitigated Negative Declaration that was circulated and approved, no additional analysis is required.
The University also determined the seismic upgrades associated with the Cowell Student Health Center portion of the *Student Life Seismic Corrections* project were categorically exempt under CEQA (Class 1, Existing Facilities). The proposed “green” alternates relative to seismic upgrades affect only interior building materials and do not require a revised Environmental Impact Classification form.

**Financial Feasibility**

The total project cost of $12,309,000 would be funded from external financing ($12,059,000) and Campus Registration Fee Reserves ($250,000).

The financing for the approved *Cowell Student Health Center Expansion and Renovation* project will not change. The approved project includes a debt of $10,762,000 to be amortized over 30 years at 5.75 percent interest. The annual debt service is approximately $761,048 with 1.28x debt service coverage. For the purpose of determining the applicable debt service coverage, a combination of the compulsory Student Health Center Facilities Fee and the Health Center Fee for Service is available. The compulsory Student Health Center Facilities Fee which was approved in 2005, is fixed at $27 per student per quarter, requires 25-percent return to financial aid, and will be assessed the first quarter following the completion of construction. The Health Center Fee for Service is charged to students as they receive services from the Health Center. Revenue from the Health Center Fee for Service will contribute approximately $30,000 per year over the life of the debt. Additional financial information for the debt associated with the approved project is shown in Attachment 2A.

The proposed budget augmentation includes a debt of $1,297,000 to be amortized over 15 years at 5.50 percent interest. The annual debt service for the augmentation is approximately $129,214 with 1.41x debt service coverage. The compulsory Student Health Center Green Building Fee was approved in June 2008 and is available for determining the applicable debt service coverage. The fee is fixed at $5.20 per student per quarter, requires a 33-percent return to financial aid, and will be assessed for 15 years beginning the first quarter following the USGBC LEED “Silver” certification of the Health Center. Additional financial information for the debt associated with this augmentation is shown in Attachment 2B.

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.
Approved:

Richard C. Blum
Chairman of the Board

Leslie T. Schilling
Chairman of the Committee on Grounds and Buildings

Mark G. Yudof
President of the University

Attachments
PROJECT STATISTICS
COWELL STUDENT HEALTH CENTER EXPANSION AND RENOVATION
CAPITAL IMPROVEMENT BUDGET
SANTA CRUZ CAMPUS
CCCI 5501

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<tr>
<th>Cost Category</th>
<th>Total Amount</th>
<th>% of Total</th>
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<tbody>
<tr>
<td>Site Clearance</td>
<td>$94,000</td>
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<tr>
<td>Construction</td>
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<td>Exterior Utilities</td>
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<td>Site Development</td>
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<td>Fees</td>
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<td>Surveys, Tests</td>
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<td>Special Items (a)</td>
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<tr>
<td>Contingency</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$12,309,000</strong></td>
<td>100.0%</td>
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**Statistics**

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<tr>
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<tr>
<td>Gross Square Feet (GSF)</td>
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<tr>
<td>Assignable Square Feet (ASF)</td>
<td>21,500</td>
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<tr>
<td>Ratio ASF/GSF (%)</td>
<td>61 %</td>
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<tr>
<td>Building Cost/GSF</td>
<td>$ 234</td>
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</table>

(a) Special items include agency reviews, energy management system, Initial Study EIR, geotechnical consultant, independent seismic review, interest during construction, value engineering and constructability reviews, and independent LEED Certification consultant totaling $857,000.

(b) Gross square feet (GSF) is the total area, including usable area, stairways, and space occupied by the structure itself. Assignable square feet (ASF) is the net usable area.
SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: Cowell Student Health Center Expansion and Renovation (Base Project)

Total Base Project Cost $11,012,000

Proposed Sources of Funding

External Financing: $10,762,000
Campus Registration Fee Reserves: $250,000

Proposed Financing Terms:
Interest Rate: 5.75% Duration: 30 Years

Campus Student Health Center Facilities Fee Information (2010-11)

Estimated Student FTE\(^2\) 17,430
Fee per Student - $27 per quarter x 3 quarters $81
Estimated Revenue $1,411,830

Less: 25% Return to Financial Aid $352,958
Less: Estimated Building Maintenance $110,972
Net Revenue Available for Debt Service $947,900

Estimated Health Center Service Fees $30,000
Total Available for Debt Service $977,900

Annual Debt Service

Principal and Interest – Cowell Student Health Center Expansion and Renovation Approved Project $761,048

Debt Service Coverage 1.28x

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\(^1\) First full year of principal and interest for the project
\(^2\) Santa Cruz Campus Long Range Enrollment Plan - Total General Campus FTE
SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title: Cowell Student Health Center Expansion and Renovation (Augmentation)

Total Augmentation Cost $1,297,000

Proposed Sources of Funding

| External Financing | $1,297,000 |

Proposed Financing Terms:

| Interest Rate: 5.50% | Duration: 15 Years |

Campus Student Health Center Facilities Fee Information (2010-11)¹

| Estimated Student FTE² | 17,430 |
| Fee per Student - $5.20 per quarter x 3 quarters | $15.60 |
| Estimated Revenue | $271,908 |

| Less: 33% Return to Financial Aid | $89,730 |
| Net Revenue Available for Debt Service | $182,178 |

Annual Debt Service

Principal and Interest – Cowell Student Health Center Expansion and Renovation Augmentation $129,214

Debt Service Coverage 1.41x

¹ First full year of principal and interest for the project
² Santa Cruz Campus Long Range Enrollment Plan - Total General Campus FTE
Approved:

Richard C. Blum
Chairman of the Board

Leslie T. Schilling
Chairman of the Committee on Grounds and Buildings

Mark G. Yudof
President of the University

Attachments
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