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ACTION UNDER PRESIDENT'S AUTHORITY - AMENDMENT OF THE BUDGET FOR THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR 2006-07 DEFERRED MAINTENANCE AND FACILITIES RENEWAL PROGRAM, SAN FRANCISCO CAMPUS.

It is recommended that:

Pursuant to Standing Order 100.4 (q)

- (1) The President amend the 2006-07 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

San Francisco: 2006-07 Deferred Maintenance and Facilities Renewal Program – preliminary plans, working drawings, and construction - \$10,000,000, to be funded from external financing.

Pursuant to Standing Order 100.4 (nn)

- (2) The President be authorized to obtain financing not to exceed \$10,000,000 to award construction contracts, 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 financing shall be from the San Francisco campus share of Federal Indirect Cost Recovery deposited to Fund 19933, which shall be in amounts sufficient to pay debt service and to meet the related financing requirements; and
 - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents 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 execute all documents in connection with the above.

DESCRIPTION

This item requests approval of the San Francisco campus 2006-07 Deferred Maintenance and Capital Renewal Program in the amount of \$10,000,000, to be funded from external financing. The projects included in this program address priority needs in buildings that house programs eligible for State funding, address projects on the existing deferred maintenance backlog and renew facilities which is one of the University's highest priorities. A summary of the projects proposed for this program and their estimated cost is included as Attachment 1.

The projects target the highest priority needs of the campus to stop accelerated deterioration of building systems and re-establish essential service reliability. The projects primarily address UCSF's core mega-structure buildings at Parnassus, which house critical biomedical research and instruction programs. The projects replace, repair and/or renew electrical, HVAC, elevator, roof, alarm, and plumbing systems. A significant number of projects repair and renew utilities-related components of key building systems which should result in increased energy efficiencies and resource savings. Other projects address life safety issues which compromise research, instruction and animal well-being and that have a potentially adverse impact on staff, patients and the public.

While financing approval for the San Francisco 2006-07 Deferred Maintenance and Capital Renewal Program is requested at a level of \$10,000,000, the campus has defined 32 projects totaling \$16,336,800 to provide flexibility in implementing the program so that additional projects can be undertaken if savings are achieved or should unforeseen changes result in re-ordered project priorities.

Background

In February 1998, The Regents approved a multi-year funding approach to address the need for regular, systematic renewal of existing facilities and to reduce the backlog of deferred maintenance projects. This approach used external financing, with repayment of bonds to be made from a portion of the increase over the prior year's UC General Funds, specifically nonresident tuition funds. The amount of funding to be provided for debt service on an annual basis was limited to no more than 5 percent of the annual increase in UC and State General Funds. This new approach provided a significant level of funding for the systemwide program for the next several years, emphasizing a systems renewal rather than a repair approach in addressing the deferred maintenance backlog.

In the initial program year, 1998-99, this bond-financed program provided \$64.8 million for the systemwide Deferred Maintenance and Capital Renewal Program. Additional debt was authorized by The Regents for the program in June 1999 (\$64 million), in May 2000 (\$66 million), and in May 2001 (\$45 million), resulting in an infusion of almost \$240 million for capital renewal over a four-year period. A total of approximately \$22 million per year in UC General Funds will be used to pay debt service for all four years. Only high priority projects with long-term benefits (minimum useful life of 15 years) were eligible to be funded through this mechanism.

In 2002-03, the systemwide debt financing program for capital renewal and deferred maintenance was suspended because University funds used to support debt financing had 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 for this program by pledging a portion of their UC

General Fund income to fund high priority projects. Several campus debt-financed programs were approved during the four-year period 2002-03 to 2005-06, generating \$85 million in additional bond funding for this purpose.

The University is committed to continuing this program. This proposal would allow the San Francisco campus to direct a portion of its share of Federal Indirect Cost Recovery deposited to Fund 19933 (known internally as University General Funds) to provide long-term financing for its capital renewal and deferred maintenance program.

Environmental Classification

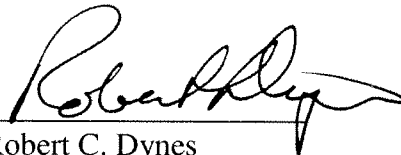
Pursuant to State law and the University procedures for implementation of the California Environmental Quality Act (CEQA), the campus will evaluate the proposed deferred maintenance and renewal program (“the project” under CEQA) and prepare the appropriate CEQA documentation. As listed under Attachment 1, the 26 to 32 renewal or replacement project tasks fall into maintenance categories such as: electrical infrastructure including electrical switchgear substation enclosure replacement; plumbing utilities including chiller system replacement; and mechanical systems including elevator controls renewal. The project tasks are all within existing campus buildings; therefore, it is likely that “the project” will be determined to be categorically exempt from CEQA under Class 1, Existing Facilities. The individual project tasks will be approved at the appropriate campus level when funding becomes available.

Financial Feasibility

The total cost of the San Francisco campus 2006-07 Deferred Maintenance and Facilities Renewal Program would be \$10,000,000 funded by external financing. A summary of financial feasibility analysis is presented in Attachment 2.

The campus would use its share of the Federal indirect cost recovery deposited to campus University General Funds as the pledged source of repayment for external financing. The projected annual debt service would be approximately \$996,256, calculated at an interest rate of 5.5 percent for 15 years. Total projected annual debt service, including the existing annual debt service, the previously approved debt service for Mission Bay Utilities and Distribution Phase I, the proposed debt service for 654 Minnesota and the projected annual debt service for this proposed project would be approximately \$3,463,082, which results in debt service coverage of 6.51 times.

Approved by:



Robert C. Dynes
President of the University

6/13/07
Date

**UNIVERSITY OF CALIFORNIA
2006-2007 Deferred Maintenance and Facility Renewal Program
Summary of Projects Requested for Approval**

Priority	Building Name	Project Title	Project Cost		Total Cost
			Bond	Other	
1	HEALTH SCIENCES EAST	Electrical Switchgear Substation Enclosure Replacement	\$ 1,800,000	\$ -	\$ 1,800,000
2	HEALTH SCIENCES WEST	High Voltage Electrical Conduit Replacement	\$ 328,000	\$ -	\$ 328,000
3	EH&S, 50 MEDICAL CENTER WAY	Bldg Exterior / Stairs Dry-rot Replacement	\$ 250,000	\$ -	\$ 250,000
4	MEDICAL SCIENCES BUILDING	Machine Rm. S-186 Sewer Piping Replacement and Containment Wall Renewal	\$ 400,000	\$ -	\$ 400,000
5	MISSION CENTER BUILDING	MCB 6TH Floor Cell culture Lab Utilities Renewal	\$ 350,000	\$ -	\$ 350,000
6	PARNASSUS INFRASTRUCTURE	Condensate Return System Bypass Renewal	\$ 373,000	\$ 257,000	\$ 630,000
7	CLINICAL SCIENCES BUILDING	7TH Floor Electrical Panel "B" and (FRP) Rooftop Panel Replacement	\$ 250,000	\$ -	\$ 250,000
8	HEALTH SCIENCES INSTRUCTION	Utility Tunnel Motor Control Center Emergency Electrical Panel Replacement	\$ 98,000	\$ -	\$ 98,000
9	CAMPUS LIBRARY (KALMANOVITZ)	Energy Management Center System Replacement	\$ 450,000	\$ -	\$ 450,000
10	MEDICAL SCIENCES BUILDING	Chiller Loop Bypass Piping Renewal	\$ 382,800	\$ -	\$ 382,800
11	HUNTER'S POINT BLDG. 830	Deaerator (D/A) Steam Tank and Piping Replacement	\$ 250,000	\$ -	\$ 250,000
12	HUNTER'S POINT BLDG. 830	Medium Pressure Steam Boiler Replacement	\$ 147,000	\$ -	\$ 147,000
13	MISSION CENTER BUILDING	Chiller System Replacement	\$ 945,000	\$ -	\$ 945,000
14	MISSION CENTER BUILDING	Chiller Unit Condensing Coil Replacement	\$ 140,000	\$ -	\$ 140,000
15	HEALTH SCIENCES INSTRUCTION	Industrial Hot Water System Renewal	\$ 240,000	\$ -	\$ 240,000
16	BUCHANAN STREET DENTAL CLINIC	Wet Vacuum Piping Replacement	\$ 105,000	\$ -	\$ 105,000
17	MISSION CENTER BUILDING	Deaerator Tank (D/A) and Piping Replacement	\$ 250,000	\$ -	\$ 250,000
18	CAMPUS LIBRARY (KALMANOVITZ)	Elevator Controls Renewal	\$ 1,000,000	\$ -	\$ 1,000,000
19	BUCHANAN STREET DENTAL CLINIC	South West Exterior Building Waterproofing and Renewal	\$ 450,000	\$ -	\$ 450,000
20	MEDICAL SCIENCES BUILDING	Fire Alarm System Renewal	\$ 250,000	\$ -	\$ 250,000
21	HEALTH SCIENCES INSTRUCTION	Fire Alarm System Renewal	\$ 350,000	\$ -	\$ 350,000
22	MISSION CENTER BUILDING	Emergency Power Transfer Switch Renewal	\$ 375,000	\$ -	\$ 375,000
23	MISSION CENTER BUILDING	Water Softener Controls Replacement	\$ 40,000	\$ -	\$ 40,000
24	HEALTH SCIENCES INSTRUCTION	Restroom Renewal - Phase 2	\$ 500,000	\$ -	\$ 500,000
25	MILLBERRY UNION	H - Level Deteriorated Water Piping Replacement	\$ 58,000	\$ 102,000	\$ 160,000
26	MISSION CENTER BUILDING	Fan and Motor Replacement	\$ 420,000	\$ -	\$ 420,000
		Sub Total Bond	\$ 10,201,800		
27	SCHOOL OF NURSING	Heat Exchanger and Pumps Replacement	\$ 135,000	\$ -	\$ 135,000
28	LAUREL HEIGHTS	Energy Management Center System Replacement	\$ 800,000	\$ -	\$ 800,000
29	MEDICAL SCIENCES BUILDING	Domestic Hot Water System Replacement	\$ 1,500,000	\$ -	\$ 1,500,000
30	HEALTH SCIENCES INSTRUCTION	Restroom Renewal - Phase 3	\$ 500,000	\$ -	\$ 500,000
31	MISSION CENTER BUILDING	Main Electrical Switchgear Replacement	\$ 1,700,000	\$ -	\$ 1,700,000
32	HEALTH SCIENCES INSTRUCTION	3rd, 2nd and 1st Floor Supply and Exhaust Fans Replacement	\$ 1,500,000	\$ -	\$ 1,500,000
		Grand Total Bond	\$ 16,336,800		

ATTACHMENT 2

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title:

2006-07 San Francisco Campus Deferred Maintenance and Facilities Renewal Program

Total Estimated Program Cost: \$10,000,000

Proposed Source of Funding:

External Financing \$10,000,000

Proposed Financing Terms:

Interest rate: 5.5%
Duration: 15 years

Pledged Source of Repayment (FY 2008-09):

Federal Indirect Cost Recovery
Campus Allocation of Fund 19933 \$22,540,000

Estimated Annual Expense:

Existing Annual Debt Service \$ 763,408
Previously Approved Debt Service:
Mission Bay Utilities and Distribution Phase 1 \$ 707,162
Projected Annual Debt Service (current proposed project) \$ 996,256
Projected Annual Debt Service (DM-654 Minnesota)* \$ 996,256

Total Estimated Annual Debt Service: \$ 3,463,082

Debt Service Coverage 6.51x

*Being presented for Presidential approval concurrently with this project.