



OFFICE OF THE PRESIDENT

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**ACTION UNDER PRESIDENT'S AUTHORITY - AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM AND APPROVAL OF EXTERNAL FINANCING FOR 2007-08 DEFERRED MAINTENANCE AND CAPITAL RENEWAL PROGRAM, SANTA CRUZ CAMPUS**

It is recommended that:

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

- (1) The President amend the 2007-08 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Santa Cruz: 2007-08 Deferred Maintenance and Capital Renewal Program – preliminary plans, working drawings, and construction – \$1,500,000 to be funded from external financing.

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

- (2) The President be authorized to obtain financing not to exceed \$1,500,000 prior to awarding construction contracts:
  - 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 Santa Cruz 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 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 authorization of \$1,500,000 in external financing for the 2007-08 Deferred Maintenance and Capital Renewal Program for the Santa Cruz campus. These funds are needed to replace roofs, replace patio paving, and replace sewer supports that are beyond their life expectancy and for which further repairs are no longer effective. Addressing the deferred maintenance and facilities renewal problem is one of the University's highest priorities. A list of projects proposed to be funded by this program is included as Attachment 2.

While approval of financing for the Santa Cruz 2007-08 Deferred Maintenance and Capital Renewal Program is requested at a level of \$1,500,000, the campus has defined projects totaling \$2,672,000 to provide flexibility in implementing the program, so that additional projects can be undertaken if savings are achieved in implementing the highest priority projects, or should unforeseen changes result in re-ordered project priorities.

### *Project Description*

The projects target four building and infrastructure systems: windows, façade, roofs, patio paving, and sewers. The scope of work on the roof systems includes replacing the roof and correcting any damage to walls, façade and windows caused by leaks in existing roofs in two buildings. The patio paving project involves removing existing concrete patio decking and under-laying membranes and installing patio pavers. The sewer project requires drilling and installing supports down to "bedrock," stabilizing the land around the sewer piping and installing rock to protect supports from potential storm water-erosion.

### *Program Background*

In February 1998, The Regents approved external financing with repayment of bonds made from a portion of the increase over the prior year's UC General Funds, specifically nonresident tuition funds, to address the need for regular systematic renewal of existing facilities and to reduce the backlog of deferred maintenance projects. 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 was 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. In 2004, the program was expanded to include energy efficiency projects. Several campuses have participated in this program during the four-year period 2002-03 to 2006-07, generating approximately \$140 million in bond funding for this purpose.

The University is committed to continuing the deferred maintenance, capital renewal and energy efficiency program. This proposal would allow the Santa Cruz campus to direct a portion of their share of Federal Indirect Cost Recovery deposited to Fund 19933 (known internally as part of the



**SUMMARY FINANCIAL FEASIBILITY ANALYSIS**

**Project Title:** 2007-08 Santa Cruz Campus Deferred Maintenance and Capital Renewal Program

**Total Estimated Program Cost:** \$1,500,000

**Proposed Source(s) of Funding:**

External Financing \$1,500,000

**Proposed Financing Terms:**

Interest Rate: 5.50%      Duration: 15 Years

**Pledged Source of Repayment (FY 2006-07):**

Federal Indirect Cost Recovery  
Campus Allocation of Fund (19933) \$2,924,000

**Estimated Annual Expense:**

Projected Annual Debt Service (proposed project) \$149,000  
Existing Annual Debt Service (Santa Cruz DM Program) \$431,000  
Total Annual Expense \$580,000

Debt Service Coverage 5.04x

**ATTACHMENT 2**

**UNIVERSITY OF CALIFORNIA, SANTA CRUZ  
2007-08 DEFERRED MAINTENANCE AND CAPITAL RENEWAL PROGRAM**

<b>CAAN</b>	<b>Asset/Facility</b>	<b>Age</b>	<b>Project Name</b>	<b>Estimated Cost</b>	<b>Cumulative Estimated Cost</b>
	Jordan Gulch Sewer Main	43 years	Jordan Gulch Sewer Main Re-Support	\$850,000	\$850,000
7379	Kresge College Assembly Building	34 years	Kresge College Assembly Building Roof and Façade Replacement and Renewal	\$372,000	\$1,222,000
7146	Central Heating Plant	41 years	Central Heating Plant Roof Replacement	\$825,000	\$2,047,000
7162	Crown College Library	39 years	Crown College Library Roof, Windows, and Concrete Deck Membrane Replacement	\$625,000	\$2,672,000