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March 3, 2009

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

Santa Cruz: 2009-2011 Statewide Energy Partnership Program -- preliminary plans - \$111,000 to be funded from external financing.

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

- (2) The President approve external financing not to exceed \$111,000 to finance the preliminary plans of the 2009-2011 Statewide Energy Partnership Program projects. The President shall require 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 Santa Cruz 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 Santa Cruz campus requests approval of \$111,000 from external financing to complete preliminary planning and engineering for two energy efficiency projects at the East Field House Pool on the campus. 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 Santa Cruz 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.

### *Project Description*

Approval of this action will allow the campus to complete preliminary plans for the East Field House Pool solar pool water heater and high efficiency boiler replacement projects. The East Field House Pool is supported by State OMP Funds.

### *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 projects, the University will comply with the California Environmental Quality Act and University Guidelines for implementation of CEQA, as necessary.

### *Financial Feasibility*

The requested funding for preliminary plans, including financing costs, for a total of \$111,000 will be externally financed with State operating funds, pursuant to Provision 2 of Section 6440-001-0001 of the 2008 State Budget Act.

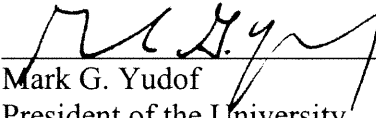
Based on long-term debt of \$111,000, amortized over 15 years at 5.75 percent interest, the annual debt service is estimated at \$11,243. As long as the debt is outstanding, State operating funds shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

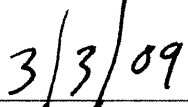
For each campus fund source, annual debt service on the portfolio of projects is not to exceed 85% of the energy savings gained from the financed projects. This threshold ratio is intended to ensure that for each campus fund source annual energy savings from projects implemented

through the Partnership will be greater than the debt service required to finance the projects. The Santa Cruz campus will meet this threshold requirement.

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:

  
\_\_\_\_\_  
Mark G. Yudof  
President of the University

  
\_\_\_\_\_  
Date

Attachment

**ATTACHMENT 1**

**SUMMARY FINANCIAL FEASIBILITY ANALYSIS**

**Project Title:**

Santa Cruz Campus - 2009-2011 Statewide Energy Partnership Program (Planning Phase)

**Total Estimated Program Cost:** \$ 111,000

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

External Financing \$ 111,000

**Proposed Financing Terms:**

Interest rate: 5.75%      Duration: 15 years

**Pledged Source of Repayment:**

Annual Net State Operating Funds Committed to Meet  
Financing Requirements \$ 14,000

**Annual Debt Service:**

Projected Annual Debt Service (proposed project)	\$ 11,243
Existing Annual Debt Service	\$ 0
Total Annual Expense	\$ 11,243

**Debt Service Coverage** 1.25x