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August 23, 2010

**ACTION UNDER PRESIDENTIAL AUTHORITY - APPROVAL OF THE BUDGET
 FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM,
 APPROVAL OF EXTERNAL FINANCING, 2010-11 DEFERRED MAINTENANCE AND
 CAPITAL RENEWAL PROGRAM, SANTA CRUZ CAMPUS**

CAMPUS	Santa Cruz
PROJECT	2010-11 Deferred Maintenance and Capital Renewal Program
PROJECT NUMBER	N/A
PROPOSED ACTIONS	<ol style="list-style-type: none"> 1. Approve budget. 2. Approve external financing not to exceed \$2,500,000
PREVIOUS ACTIONS	None
<u>PROJECT SUMMARY</u>	
PROJECT PROGRAM	Addressing high priority capital renewal needs, including replacement of roofs, windows, and patio paving.
TOTAL PROJECT COST	\$2,500,000
FUNDING SOURCE(S)	External Financing \$2,500,000
SQUARE FOOTAGE	N/A
BED SPACES OR PARKING SPACES	N/A
UNIT COSTS	N/A
ISSUES	None

RECOMMENDATION

Pursuant to Standing Order 100.4(q)

1. The President amends the 2010-11 Budget for Capital Improvements and the Capital Improvement Program to add the following project:

Santa Cruz: 2010-11 Deferred Maintenance and Capital Renewal Program – preliminary plans, working drawings, and construction - \$2,500,000 to be funded from external financing.

Pursuant to Standing Order 100.4(nn)

2. The President is authorized to obtain external financing not to exceed \$2,500,000 to finance the 2010-11 Deferred Maintenance and Capital Renewal Program. The Santa Cruz campus shall satisfy the following requirements:
 - a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. Repayment of debt shall be from the Santa Cruz campus' share of the Federal Indirect cost recovery deposited to 19933 and as long as the debt is outstanding, the Santa Cruz campus' share of the Federal Indirect cost recovery deposited to 19933 shall be maintained in amounts sufficient to pay debt service and to meet the related requirements of the authorized financing.
 - c. The general credit of the Regents shall not be pledged.
3. The President is authorized to execute all documents necessary in connection with the above.

Approved by:

 8/24/10
Mark G. Yudof Date
President of the University

ATTACHMENTS:

- Attachment 1: Program Description
- Attachment 2: Funding Plan
- Attachment 3: Summary of Projects Requested for Approval
- Attachment 4: Summary of Financial Feasibility Analysis

<u>PROGRAM DESCRIPTION</u>	
A. CONTEXT AND GOALS	
<ul style="list-style-type: none"> • The Santa Cruz campus is faced with deteriorating conditions and building systems in numerous facilities. • With the capital budgets constrained, the campus has deferred renewal of building systems in some older buildings. In many cases, systems are now beyond their useful life and are in critical need of repair or replacement. • 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 by pledging a portion of their UC General Fund income to fund high priority capital renewal and deferred maintenance projects. • The campus will select projects from among those identified in Attachment 3 for a maximum of \$2,500,000. 	
B. PROJECT PROGRAM AND SCOPE	
<ul style="list-style-type: none"> • The program includes up to 5 projects that address high priority capital renewal needs, including replacement of deteriorated roofs, windows, and decks. • The projects are expected to extend the useful life of roofing systems, exterior systems, and windows by at least 30 years. • The \$2,500,000 in external financing will be used to address as many as possible of the 5 projects listed in Attachment 3 (totaling \$3,104,000) approved for the program. 	
C. PROJECT SITE	
Site	Various Campus Locations
D. SCHEDULE	
Construction Start	N/A
Completion	N/A
E. SUSTAINABILITY	
Target LEED™ RATING	N/A
Compliance UC Policy	These deferred maintenance projects will comply with the <i>University of California Policy on Sustainable Practices</i> .
F. PROJECT CONFORMANCE	
2009-15 State and Non-State Capital Improvement Program	Conforms
California Environmental Quality Act (CEQA)	In accordance with the CEQA and the University Guidelines for the Implementation of CEQA, the campus will conduct appropriate CEQA review at the time the program or individual projects are approved of implementation.

ATTACHMENT 2

<u>FUNDING PLAN</u>			
A. TOTAL PROJECT COST (\$2,500,000)			
Funding Source	• External Financing: \$2,500,000		
B. EXTERNAL FINANCING			
Tax-Exempt Amount	\$2,500,000		
<ul style="list-style-type: none">• The \$2,500,000 in external financing will be used to address as many projects as possible from the 5 projects listed in Attachment 3 (totaling \$3,104,000).• As long as the debt is outstanding, the Santa Cruz campus' share of the federal indirect cost recovery deposited to 19933 shall be maintained in amounts sufficient to pay the debt service and to meet the related requirement of the authorized financing.• The external financing will be paid from specific revenue sources identified in the external financing documents; therefore, the general credit of the Regents will not be pledged.• Additional information may be found in Attachment 4, Summary of Financial Feasibility.			

ATTACHMENT 3

SUMMARY OF PROJECTS REQUESTED FOR APPROVAL

2010-11 Deferred Maintenance and Capital Renewal Program			
Campus: Santa Cruz			
	Building Name	Project Title	Estimated Cost
1	Kresge College Administration Building	Kresge College Administration Roof and Window Replacement	\$660,000
2	Crown College Library	Crown College Library Roof, Window, and Concrete Deck Replacement	354,000
3	Cogeneration Plant	Cogen Plant Roof Replacement	825,000
4	Kerr Hall	Kerr Hall Roof and Deck Replacement	865,000
5	Thimann Laboratory	Thimann Lab Penthouse Roof Replacement	400,000
		TOTAL	\$3,104,000

SUMMARY FINANCIAL FEASIBILITY ANALYSIS

Project Title:

2010-11 Santa Cruz Campus Deferred Maintenance and Facilities Renewal Program

Total Estimated Program Cost: \$2,500,000

Proposed Source(s) of Funding:

External Financing \$2,500,000

Proposed Financing Terms:

Interest Rate: 5% Duration: 15 Years

Pledged Source of Repayment (FY 2009-10):

Federal Indirect Cost Recovery
Campus Allocation of Fund (19933) \$3,667,000

Estimated Annual Expense:

Projected Annual Debt Service (proposed project) \$241,000
Existing Annual Debt Service (Santa Cruz DM Program) \$580,000
Total Annual Expense \$821,000

Debt Service Coverage 4.47x