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Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:[1]

ACTION ITEM

For Meeting of January 21, 2016

APPROVAL OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, AND APPROVAL OF EXTERNAL AND STANDBY FINANCING, 2016-25 STATEWIDE ENERGY PARTNERSHIP PROGRAM

EXECUTIVE SUMMARY

The proposed 2016-25 Statewide Energy Partnership Program (Program) extends a successful framework for implementing energy efficiency projects and provides significant benefit to the University, which includes:

- System support for the President's 2025 Carbon Neutrality Initiative, the State's energy goals, and the California Public Utilities Commission's 2025 commitment to energy efficiency funding

- Access to and managed distribution of additional funding sources, grants, and incentives from California utilities and State agencies to support energy projects

- Prioritized, cost-effective energy project development, required to maintain a maximum annual debt service to energy savings ratio of 85 percent for each campus portfolio of projects

- Proven cost and greenhouse gas (GHG) reductions, with results to-date saving $28 million in annual energy costs and $166 million in cumulative avoided costs, all net of debt service, in addition to 170,000 metric tons of carbon dioxide equivalent

- Program savings verification and reporting requirements to ensure accurate accounting of systemwide energy reduction accomplishments

The 2016-25 Program would extend the efficacious framework of the original and subsequent versions of the Program approved by the Regents, starting in 2009. In addition, the new Program

[1] Of interest to the Committee on Finance.

would lengthen the timeframe to ten years to allow campuses to plan and budget more complex energy projects, while providing the flexibility to include new funding opportunities as the State pursues aggressive climate change initiatives.

As under the past programs, projects under the 2016-25 Program would be developed by campuses based on savings potential and cost effectiveness criteria. The projects are expected to encompass a wide spectrum of energy efficiency efforts of varying size and complexity, such as renewal and retrofit of heating, ventilation, and air conditioning (HVAC) systems, lighting retrofits, building controls upgrades, and monitoring-based commissioning that benefits whole buildings. Moving forward, the expanded program can also support optimization of cogeneration facilities and advanced technologies that demonstrate potential for improved energy performance. In order to qualify for this Program, campus project portfolios must meet the financial threshold wherein annual debt service is not to exceed 85 percent of the utility savings gained from the financed projects. This threshold ratio is intended to ensure that annual energy savings from projects implemented through the Program will be greater than the debt service required to finance the projects.

At this time the Regents are being asked to approve the first phase of projects to be implemented under the Program, with subsequent phases in the future. The proposed portfolio includes 173 projects that four campuses (Irvine, Los Angeles, San Diego, and Santa Cruz) seek to implement as soon as possible. These projects would qualify for energy efficiency incentive payments from California utilities. Once constructed, the proposed projects would save the University an estimated $11,545,000 in energy costs per year, achieve $15,849,000 in utility incentives, and reduce 36,000 metric tons of GHG. The annual debt service for these projects is projected at $4,831,000, allowing the University to reap a net savings of $6,714,000 per year over the proposed 15-year term of the finance period, and the full $11,545,000 per year in energy savings, unadjusted for inflation, thereafter.

The Regents are being asked to:

1. Approve the Program budget of $67,405,000 to be funded from external financing ($50,138,000), auxiliary sources ($1,418,000), and energy efficiency incentive payments from California utilities ($15,849,000).

2. Approve external financing ($50,138,000) to be made available to campuses to cover the University's portion of projects' costs.

3. Approve standby financing ($14,444,000) that is necessary to bridge project expenditures until the utilities pay the incentives at the completion of the projects.

RECOMMENDATION

The President of the University recommends that the Committee on Grounds and Buildings recommend to the Regents that:

1. The 2015-16 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

   Systemwide: 2016-2025 Statewide Energy Partnership Program Phase 1 – preliminary plans, working drawings, construction, equipment - $67,405,000 to be funded from external financing ($50,138,000), energy efficiency incentive payments from California utilities ($15,849,000), and auxiliary sources ($1,418,000).

2. The President be authorized to obtain external financing not to exceed $50,138,000 to finance the 2016-2025 Statewide Energy Partnership Program Phase 1. 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, general revenues from the Irvine, Los Angeles, San Diego, and Santa Cruz campuses shall be maintained in amounts sufficient to pay the 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 be authorized to obtain standby financing not to exceed $14,444,000 for the 2016-2025 Statewide Energy Partnership Program Phase 1. 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. Repayment of the standby financing shall be from energy efficiency incentive payments from California utilities. In the event that the incentive payments are insufficient and some or all of the standby financing remains outstanding, unrestricted campus funds of the Irvine, Los Angeles, and San Diego campuses shall be used to repay the portion of the standby financing that relates to each campus' respective energy projects and to meet the related requirements of the authorized financing.

   C. The general credit of the Regents shall not be pledged.

BACKGROUND

At the joint meeting of the Committees on Grounds and Buildings and Finance in September 2008, the Regents were presented with information on the then-proposed 2009-2011 Statewide Energy Partnership (SEP) Program, through which the California utilities paid the University incentive grants to reduce energy consumption. The SEP Program was approved in March 2009

by the Regents, along with the subsequent extension in April 2012, expanding on previous efforts with the utilities to provide financing to execute energy saving projects. The SEP Program was re-authorized most recently by the Regents in January 2013 with the approval of the 2013-2014 SEP Program, and extended by the Executive Vice President and Chief Financial Officer, Office of the President in March 2015.

The 2016-25 Program is structured on the programmatic provisions developed initially with the 2009-11 SEP Program (with 2012 program extension), and continued under the 2013-14 SEP Program (with 2015 program extension). With this proposed 2016-25 Program re-authorization, the Regents are being asked to approve a Program commitment that spans ten years in order to (i) facilitate campus planning and budgeting for longer-term energy efficiency projects (i.e., implementation that extends beyond two years), and (ii) provide the flexibility to incorporate additional funding sources (beyond utility incentives) that are evolving on the horizon as the State aggressively pursues initiatives to address climate change.

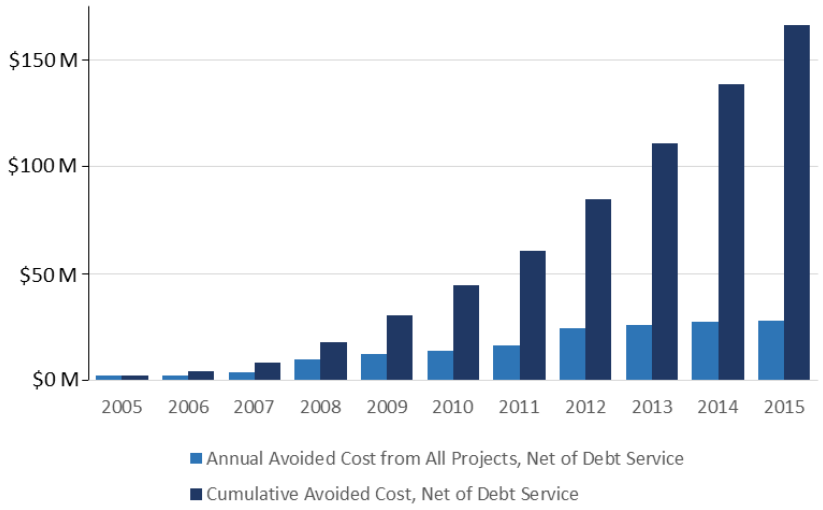
The proposed Program continues to offer an extraordinary opportunity to leverage limited resources when the University is challenged to operate and maintain facilities that support the institution's vast array of instructional, research, and service programs. A sustained lack of systematic investment in capital renewal and the reduction of State deferred maintenance funding have exacerbated the higher costs associated with operating and maintaining a growing inventory of aging facilities and an increasing number of complex laboratories and specialized research facilities. In addition, the University is committed to meeting ambitious policy goals to reduce energy use and the University's overall carbon footprint.

With limited funding available, an aggressive program such as the one proposed promises generous incentive grants from the California utilities, as well as potential funding from State entities, thus continuing to present the University with an opportunity to address inefficient aging infrastructure and offset reductions in the operations budget.

It should also be emphasized that, despite some short-term trends, all indicators and history suggest that over the long term, purchased utility costs will continue to rise. As energy costs increase, the financial benefits of the Program to the University increase.

Status of Existing 2013-14 SEP Program

The SEP Programs represent a model for successful statewide institutional partnerships with the California utilities, and demonstrate the potential impacts an organization like the University of California can have on reducing energy consumption.



The above graph (published in the *2015 UC Annual Report on Sustainable Practices*) shows that completed projects in 2015 are projected to increase the total annual avoided utility costs, net of SEP Program debt service, to approximately $28 million, for cumulative total net avoided costs for the University under the SEP Programs of approximately $166 million. Moreover, the SEP Programs have reduced University greenhouse (GHG) gas emissions by more than 170,000 metric tons of carbon dioxide equivalent.

In addition, the SEP Program has been able to support the development and demonstration of campus best practices and innovative energy efficiency technologies not only within the University system, but for other higher education systems and institutions across the state and country as well. An independent report[2] commissioned by the California Public Utilities Commission (CPUC) "concludes that the approach (i.e., the systemwide strategic energy plan and involving all stakeholders) used by the UC system to assess, plan, and manage a portfolio approach to energy efficiency is responsible" for the SEP Programs' success. The CPUC report further states that the UC model could be replicated by other State entities in order to meet their respective energy efficiency and cost reduction targets.

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[2] *Program Assessments Study: Statewide Institutional IOU Energy Efficiency Partnership Programs.– WO012*, Navigant Consulting Inc., 2012

2016-25 SEP Program Description

The portfolio of projects proposed under this first phase of the 2016-25 SEP Program is expected to deliver an additional estimated 72 million kilowatt-hours of annual electricity savings and 2.7 million therms of natural gas savings, translating to more than $6 million in annual utility cost savings net of debt service and 36,000 metric tons of GHG reductions. The proposed energy efficiency projects, at the Irvine, Los Angeles, San Diego, and Santa Cruz campuses were identified by the campuses based on savings potential and cost effectiveness criteria. The California utilities would provide more than $15 million in incentive payments to the University for the portfolio based on validation that the projects increase the energy efficiency of buildings and infrastructure, and reduce the University's overall energy consumption. The projects include renewal and retrofits of HVAC systems, lighting retrofits, building controls upgrades, and monitoring-based commissioning that benefits whole buildings.

As noted above, in order to leverage past program success in reducing energy expenditures and continue accomplishments towards the University's aggressive carbon reduction goals, the proposed Program would extend the overall timeframe to 2016-

25, with projects proposed in phases for Regents' approval to accommodate additional campuses and identified energy projects. This approach establishes a framework with a ten-year commitment to the proven SEP programmatic structure to support:

- Alignment with the President's 2025 Carbon Neutrality Initiative
- Alignment with the State's energy goals and CPUC's commitment to energy efficiency program funding through 2025[3]
- California utilities' legislated goals (Senate Bill 350) to double existing building energy efficiency savings by 2030
- Campus planning and budgeting for longer-term and more complex energy efficiency projects (i.e., design and implementation that extend beyond two years)
- Program modification requests for Regents' approval within the ten-year program to accommodate technology improvements and new efficiency opportunities
- Ability to incorporate additional funding sources beyond utility incentives, as the State aggressively pursues initiatives to address climate change with resources such as Cap and Trade Auction Proceeds and California Energy Commission grant awards

All projects are reviewed by the California utilities to verify credited energy savings, or equivalent third-party verification for energy savings projects completed outside of utility programs – including verification by a licensed California Professional Engineer in compliance with the industry standard utilized by the CPUC, the International Performance Measurement and Verification Protocol.

All projects implemented under the proposed Program would meet all related financing requirements. With respect to any additional approvals required to implement the projects, all

[3] As stated in CPUC Decision 14-10-046, October 16, 2014; *Decision Establishing Energy Efficiency Savings Goals and Approving 2015 Energy Efficiency Programs and Budgets*

such actions would be approved at the level designated by policy (primarily Chancellor's) based on the project characteristics and dollar amount. The environmental impacts of projects under the California Environmental Quality Act would be evaluated on a project-by-project basis at the requisite time.

Policy on Sustainable Practices and the President's Initiative

The energy projects included in the Program will comply with the University of California's *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. The projects included in the Program will advance efforts to meet the energy conservation and climate action goals set forth in the *Policy on Sustainable Practices*, in addition to the President's Initiative to become the first research university to achieve carbon neutrality, targeted for 2025.

Financial Feasibility

The projects funded under this Program would be consistent with the provision of the 2013-14 SEP Program, wherein annual debt service on the portfolio of projects is not to exceed 85 percent of the utility savings gained from the financed projects. This threshold ratio is intended to ensure that annual energy savings from projects implemented through the Program will be greater than the debt service required to finance the projects. Financing terms can vary depending on the estimated lifetime of the project, up to 30 years for suitable energy savings opportunities that will be in place over the term of the loan.

Significant flexibility built into the past programs with respect to the projects proposed in the portfolio has been incorporated in this Program. For example, as design and contracting progress, should a project prove to be infeasible, campuses may choose not to proceed with a project. Multiple back-up projects have been identified, and campuses may substitute projects if at any point in the planning and preliminary engineering process, projects are determined to be less financially feasible than originally estimated. This substitution may occur at any time up through and beyond project approval. The substituted project must align with the budgetary and financial parameters approved for the original project portfolio.

The Office of the President has worked with the Department of Finance to clarify revised language in Sections 92493 through 92496 of the Education Code (2014 Budget Trailer bill, SB 860, Chapter 34, Statutes of 2014) for the reporting requirements related to the use of State operating funds for Program projects and debt service for these projects. The language permits the University to submit for legislative approval a comprehensive list of projects for which State funds will be used for debt repayment, while also preserving a mechanism for amending the project list as necessary. The annual Legislative mandate also continues to require annual reporting on the status of the Program.

The table below summarizes the list of 173 projects proposed under this first phase of the 2016-25 SEP Program. The projects submitted by the four participating campuses were reviewed

and received preliminary approval from the Office of the President based on meeting Program criteria.

CAMPUS PROJECT FUNDING SOURCES SUMMARY

Campus	External Financing	Energy Efficiency Incentive Payments	Auxiliary Sources	Total Project Funding	Standby Financing*
Irvine	$ 10,434,000	$ 2,801,000	$ 304,000	$ 13,539,000	$ 2,801,000
Los Angeles	$ 17,267,000	$ 7,800,000	$ -	$ 25,067,000	$ 7,800,000
San Diego	$ 18,877,000	$ 4,029,000	$ 1,114,000	$ 24,020,000	$ 3,843,000
Santa Cruz	$ 3,560,000	$ 1,219,000	$ -	$ 4,779,000	$ -
System Total	**$ 50,138,000**	**$ 15,849,000**	**$ 1,418,000**	**$ 67,405,000**	**$ 14,444,000**

*Standby Financing is used to bridge funding until utility incentive payments are received after project completion

Fund sources for external financing (including standby financing) shall adhere to University policy on repayment for capital projects.

With the success of this program framework, the campuses have been able to implement the most straightforward and achievable energy efficiency projects. As campuses and medical centers pursue more complex and challenging energy saving opportunities, and as promising sources of external funding become available, subsequent phases of projects will be brought to the Regents for approval based on need, debt capacity, and qualified savings potential.

Key to Acronyms

CPUC	California Public Utilities Commission
GHG	greenhouse gas
HVAC	heating, ventilation, and air conditioning
SEP	Statewide Energy Partnership

ATTACHMENTS

Attachment 1A: Summary of Financial Feasibility – Irvine Campus
Attachment 1B: Summary of Financial Feasibility – Los Angeles Campus
Attachment 1C: Summary of Financial Feasibility – San Diego Campus
Attachment 1D: Summary of Financial Feasibility – Santa Cruz Campus

ATTACHMENT 1A

SUMMARY OF FINANCIAL FEASIBILITY – IRVINE CAMPUS

IRVINE CAMPUS	
Project Name	**2016-25 Statewide Energy Partnership (SEP) Program Phase 1**
Project ID	**TBD**
Total Estimated Project Cost	$13,539,000
Anticipated Interest During Construction	$449,000

PROPOSED SOURCES OF FUNDING[1]	
External Financing	$10,434,000
Energy Efficiency Incentive Payments [Standby Financing]	$2,801,000
Auxiliary Revenues (Parking)	$304,000
Total	$13,539,000

SECTION I. Externally Financed Projects

FINANCING ASSUMPTIONS	
External Financing Amount	$10,434,000
Anticipated Repayment Source	General Revenues of the Irvine campus
Anticipated Fund Source	State Operating Funds[2]
Financial Feasibility Rate	5.0%
First Year of Repayment (e.g. FY 20XX)	2017
Term (e.g. 30 years; indicate if any years interest only)	15 years
Final Maturity (e.g. FY 20XX)	2031
Estimated Average Annual Debt Service	$1,005,000

SECTION II. Standby Financed Projects

Approval for standby and/or interim financing is sought in order to bridge the timing difference between project expenditures and receipt of gift or other specified funds.

FUND SOURCE SUMMARY	
Standby Financing Amount	$2,801,000
Fund Type	Energy Efficiency Incentive Payments
Secondary Source of Repayment	Campus Funds
Term of Standby Request (# of years)	4 years

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[1] Fund sources for external financing shall adhere to University policy on repayment for capital projects.

[2] State Operating Funds as provided for in terms set forth in Sections 92493 through 92496 of the Education Code (2014 Budget Trailer bill, SB 860, Chapter 34, Statutes of 2014).

Below are results of the financial feasibility analysis for the proposed project using the campus' Debt Affordability Model. The model includes projections of the campus' operations and planned financings. A new Debt Affordability Model with revised metrics was implemented August 1, 2015.

	CAMPUS FINANCING BENCHMARKS		
Measure	**10 Year Projections**	**Approval Threshold**	**Requirement**
Modified Cash Flow Margin[3]	3.2% (min, FY 2023 yr)	≥ 0.0%	Must Meet
Debt Service to Operations[3]	5.1% (max, FY 2020 yr)	≤ 6.0%	Must Meet 1 of 2
Expendable Resources to Debt[3]	N/A	≥ 1.00x	
Auxiliary Project Debt Service Coverage[4]	N/A	≥ 1.10x	Must Meet for Auxiliary Projects
Auxiliary System Debt Service Coverage[5]	N/A	≥ 1.25x	Must Meet for Auxiliary Projects

[3] Modified Cash Flow Margin, Debt Service to Operations, and Expendable Resources to Debt are campus metrics.

[4] Auxiliary Project Debt Service Coverage is an individual project metric.

[5] Auxiliary Debt Service Coverage is a campus' auxiliary system metric.

ATTACHMENT 1B

SUMMARY OF FINANCIAL FEASIBILITY – UCLA

UCLA CAMPUS	
Project Name	**2016-25 Statewide Energy Partnership (SEP) Program Phase 1**
Project ID	**TBD**
Total Estimated Project Cost	$25,067,000
Anticipated Interest During Construction	$500,000

PROPOSED SOURCES OF FUNDING[1]	
External Financing	$17,267,000
Energy Efficiency Incentive Payments [Standby Financing]	$7,800,000
Total	$25,067,000

SECTION I. Externally Financed Projects

FINANCING ASSUMPTIONS	
External Financing Amount	$17,267,000
Anticipated Repayment Source	General Revenues of the UCLA campus
Anticipated Fund Source	State Operating Funds[2]
Financial Feasibility Rate	5.0%
First Year of Principal (e.g. FY 20XX)	2018
Term (e.g. 30 years)	15 years
Final Maturity (e.g. FY 20XX)	2032
Estimated Average Annual Debt Service	$1,664,000

SECTION II. Standby Financed Projects

Approval for standby and/or interim financing is sought in order to bridge the timing difference between project expenditures and receipt of gift or other specified funds.

FUND SOURCE SUMMARY	
Standby Financing Amount	$7,800,000
Fund Type	Energy Efficiency Incentive Payments
Secondary Source of Repayment	Campus Funds
Term of Standby Request (# of years)	4 years

[1] Fund sources for external financing shall adhere to University policy on repayment for capital projects.

[2] State Operating Funds as provided for in terms set forth in Sections 92493 through 92496 of the Education Code (2014 Budget Trailer bill, SB 860, Chapter 34, Statutes of 2014)

Below are results of the financial feasibility analysis for the proposed project using the campus' Debt Affordability Model. The model includes projections of the campus' operations and planned financings. A new Debt Affordability Model with revised metrics was implemented August 1, 2015.

	CAMPUS FINANCING BENCHMARKS		
Measure	**10 Year Projections**	**Approval Threshold**	**Requirement**
Modified Cash Flow Margin[3]	2.7% (min, FY 2018 yr)	≥ 0.0%	Must Meet
Debt Service to Operations[3]	3.8% (max, FY 2018 yr)	≤ 6.0%	Must Meet 1 of 2
Expendable Resources to Debt[3]	N/A,	≥ 1.00x	
Auxiliary Project Debt Service Coverage[4]	N/A	≥ 1.10x	Must Meet for Auxiliary Projects
Auxiliary System Debt Service Coverage[5]	N/A	≥ 1.25x	Must Meet for Auxiliary Projects

[3] Modified Cash Flow Margin, Debt Service to Operations, and Expendable Resources to Debt are campus metrics.

[4] Auxiliary Project Debt Service Coverage is an individual project metric.

[5] Auxiliary Debt Service Coverage is a campus' auxiliary system metric.

ATTACHMENT 1C

SUMMARY OF FINANCIAL FEASIBILITY – SAN DIEGO CAMPUS

SAN DIEGO CAMPUS	
Project Name	**2016-25 Statewide Energy Partnership (SEP) Program Phase 1**
Project ID	**TBD**
Total Estimated Project Cost	$24,020,000
Anticipated Interest During Construction	$1,525,000

PROPOSED SOURCES OF FUNDING[1]	
External Financing	$18,877,000
Auxiliary Revenues (Parking, Student Union, and Athletics)	$1,114,000
Energy Efficiency Incentive Payments [Standby Financing]	$4,029,000
Total	$24,020,000

SECTION I. Externally Financed Projects

FINANCING ASSUMPTIONS	
External Financing Amount	$18,877,000
Anticipated Repayment Source	General Revenues of the San Diego campus
Anticipated Fund Source	Unrestricted Campus Funds
Financial Feasibility Rate	5.0%
First Year of Repayment (e.g. FY 20XX)	2017
Term (e.g. 30 years; indicate if any years interest only)	15 years
Final Maturity (e.g. FY 20XX)	2031
Estimated Average Annual Debt Service	$1,819,000

SECTION II. Standby Financed Projects

Approval for standby and/or interim financing is sought in order to bridge the timing difference between project expenditures and receipt of gift or other specified funds.

FUND SOURCE SUMMARY	
Standby Financing Amount	$3,843,000[2]
Fund Type	Energy Efficiency Incentive Payments
Secondary Source of Repayment	Campus Funds
Term of Standby Request (# of years)	4 years

[1] Fund sources for external financing shall adhere to University policy on repayment for capital projects.

[2] The campus requests standby financing to bridge project expenditures for a large portion, but not all, of the energy efficiency incentive payments. Specifically, the auxiliary SEP projects will be bridged with auxiliary reserves until incentive payments are received; standby financing is not being requested for the auxiliary projects.

Below are results of the financial feasibility analysis for the proposed project using the campus' Debt Affordability Model. The model includes projections of the campus' operations and planned financings. A new Debt Affordability Model with revised metrics was implemented August 1, 2015.

	CAMPUS FINANCING BENCHMARKS		
Measure	**10 Year Projections**	**Approval Threshold**	**Requirement**
Modified Cash Flow Margin[3]	1.9% (min, FY 2024)	≥ 0.0%	Must Meet
Debt Service to Operations[3]	5.9% (max, FY 2021)	≤ 6.0%	Must Meet 1 of 2
Expendable Resources to Debt[3]	N/A	≥ 1.00x	
Auxiliary Project Debt Service Coverage[4]	N/A	≥ 1.10x	Must Meet for Auxiliary Projects
Auxiliary System Debt Service Coverage[5]	N/A	≥ 1.25x	Must Meet for Auxiliary Projects

[3] Modified Cash Flow Margin, Debt Service to Operations, and Expendable Resources to Debt are campus metrics.

[4] Auxiliary Project Debt Service Coverage is an individual project metric.

[5] Auxiliary Debt Service Coverage is a campus' auxiliary system metric.

ATTACHMENT 1D

SUMMARY OF FINANCIAL FEASIBILITY – SANTA CRUZ CAMPUS

SANTA CRUZ CAMPUS	
Project Name	**2016-25 Statewide Energy Partnership (SEP) Program Phase 1**
Project ID	**TBD**
Total Estimated Project Cost	$4,779,000
Anticipated Interest During Construction	$125,000

PROPOSED SOURCES OF FUNDING[1]	
External Financing	$3,560,000
Energy Efficiency Incentive Payments (bridged by Campus Unrestricted Funds)[2]	$1,219,000
Total	$4,779,000

SECTION I. Externally Financed Projects

FINANCING ASSUMPTIONS	
External Financing Amount	$3,560,000
Anticipated Repayment Source	General Revenues of the Santa Cruz campus
Anticipated Fund Source	State Operating Funds[3]
Financial Feasibility Rate	5.0%
First Year of Principal (e.g. FY 20XX)	2017
Term (e.g. 30 years)	15 years
Final Maturity (e.g. FY 20XX)	2031
Estimated Average Annual Debt Service	$343,000

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[1] Fund sources for external financing shall adhere to University policy on repayment for capital projects.

[2] The campus will bridge project expenses with campus unrestricted funds until incentive payments are received; standby financing is not being requested.

[3] State Operating Funds as provided for in terms set forth in Sections 92493 through 92496 of the Education Code (2014 Budget Trailer bill, SB 860, Chapter 34, Statutes of 2014).

Below are results of the financial feasibility analysis for the proposed project using the campus' Debt Affordability Model. The model includes projections of the campus' operations and planned financings. A new Debt Affordability Model with revised metrics was implemented August 1, 2015.

	CAMPUS FINANCING BENCHMARKS		
Measure	**10 Year Projections**	**Approval Threshold**	**Requirement**
Modified Cash Flow Margin[4]	5.73% (min, FY 2023 yr)	≥ 0.0%	Must Meet
Debt Service to Operations[4]	5.90% (max, FY 2023 yr)	≤ 6.0%	Must Meet 1 of 2
Expendable Resources to Debt[4]	N/A	≥ 1.00x	
Auxiliary Project Debt Service Coverage[5]	N/A	≥ 1.10x	Must Meet for Auxiliary Projects
Auxiliary System Debt Service Coverage[6]	N/A	≥ 1.25x	Must Meet for Auxiliary Projects

[4] Modified Cash Flow Margin, Debt Service to Operations, and Expendable Resources to Debt are campus metrics.

[5] Auxiliary Project Debt Service Coverage is an individual project metric.

[6] Auxiliary Debt Service Coverage is a campus' auxiliary system metric.