

Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

ACTION ITEM

For Meeting of September 17, 2014

APPROVAL OF UNIVERSITY OF CALIFORNIA 2015-16 BUDGET FOR STATE CAPITAL IMPROVEMENTS

EXECUTIVE SUMMARY

Section 92495 of the Education Code requires that the University submit its 2015-16 capital projects by September 1, 2014 to the Joint Legislative Budget Committee and the Department of Finance for approval. The package of fifteen projects totaling \$297.9 million (project costs not including financing costs) was submitted by the deadline, and in this item, the Regents are being asked to approve those same projects in the *2015-16 Budget for State Capital Improvements*.

Historically, the request for approval of the *Budget for State Capital Improvements* was presented along with the *Capital Financial Plan* (CFP) at the November meeting of the Regents. Because the State now requires the submittal of capital projects by September 1 per Assembly Bill 94, the Regents are being asked to review and approve the *Budget for State Capital Improvements* at their September meeting. The CFP, which represents the annual update of the campuses' ten-year plans, and presents information about the University's multi-year program of proposed capital construction and renovation, is scheduled to be presented to the Regents at the November meeting.

The Committee on Grounds and Buildings will consider a parallel request to approve the *2015-16 Budget for State Capital Improvements*.

RECOMMENDATION

The President of the University recommends that the Committee on Finance recommend to the Regents that, subject to the concurrence of the Committee on Grounds and Buildings, the *2015-16 Budget for State Capital Improvements* as shown in Attachment 1 be approved.

BACKGROUND

The State took action to pass legislation in 2013-14, Assembly Bill No. 94 (AB 94), Chapter 50, Section 8 which added, among other provisions, sections 92495 et seq. to the Education Code. This action provided unprecedented flexibility to the University of California to use State

General Funds to finance State- eligible capital outlay projects, providing some relief during those periods in which the State has not funded capital outlay. Specifically, with this legislation, the University is able to use its State General Fund allocation with certain conditions to finance the design, construction and equipment of academic facilities to address seismic and life safety needs, enrollment growth, modernization of out-of-date facilities, or renewal or expansion of infrastructure to serve academic programs.

Thus far under AB 94, the University has submitted a package to the Department of Finance (DOF) and the Joint Legislative Budget Committee (JLBC) on August 1, 2013 and obtained approval for eight projects totaling \$132,309,000 for the 2013-14 fiscal year. At their November 2013 meeting, the Regents considered and approved the amended 2013-14 *Budget for State Capital Improvements* and in December, 2013, the University was notified that the DOF and JBLC approved the 2013-14 projects.

For 2014-15, AB 94 required that the University submit a detailed request by September 1, 2013 for projects proposed to be funded via this funding mechanism. The University submitted ten projects totaling \$202,812,000 to the State. At their November 2013 meeting, the Regents considered and approved the *2014-15 Budget for State Capital Improvements*.

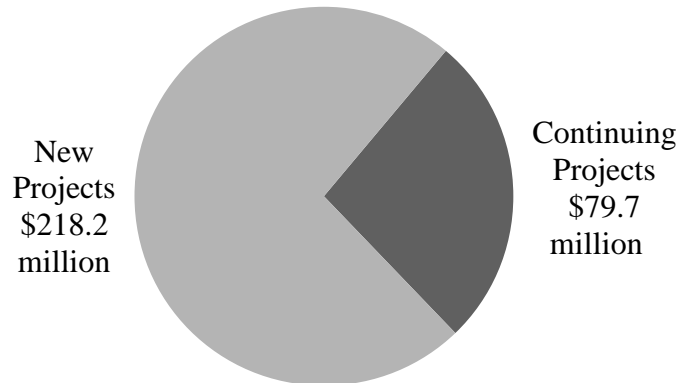
The Regents, at their March 2014 meeting, approved the general funds financed-related external financing for both the 2013-14 and the 2014-15 State Capital Programs. At the same meeting, the Regents also amended the *2014-15 Budget for State Capital Improvements*, to include a portion of Berkeley's Tolman Hall Seismic Replacement project. The University was notified in July 2014 that the DOF and JLBC approved the 2014-15 State Capital Outlay request.

2015-16 STATE CAPITAL OUTLAY PROGRAM

The *2015-16 Budget for State Capital Improvements*, shown in Attachment 1, proposes a total request of \$297.9 million in State capital outlay funds, to complete preliminary plans, working drawings, construction, and/or fund equipment for fifteen major capital projects. Under provisions of AB 94, the DOF will notify the University of approval of these 2015-16 capital outlay projects no earlier than April 1, 2015.

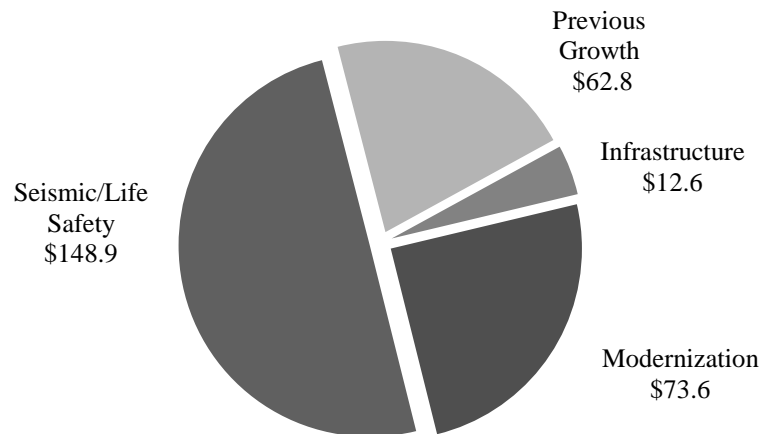
The package submitted to the State reflects a rigorous review process and includes the highest priority systemwide projects. To the extent that this approval will allow funding to be redirected from an already constrained operating budget, this list has been put together following a strenuous review based on systemwide priorities. UC's proposal for 2015-16 focuses on continuing projects that require funding for completion, and new projects that address critical infrastructure priorities, and seismic, life safety, and modernization needs; the breakdown is illustrated in Display 1.

Display 1: 2015-16 State Capital Outlay, Continuing and New Projects



As illustrated in Display 2, within the overall proposal, seven projects would address seismic and life safety needs (\$148.9 million), four projects would support modernization (\$73.6 million), three projects would accommodate previous enrollment growth (\$62.8 million), and one project would provide infrastructure improvements (\$12.6 million).

Display 2: 2015-16 State Capital Outlay By Category Type (millions)



This proposal represents only 54.6 percent of the University's total funding need of \$544.3 million for State-eligible capital improvements projects for 2015-16.

The University maintains a continuing commitment to pursue gifts and other potential sources to supplement State funding for construction. The University has capital needs for student-life and auxiliary programs that do not qualify as State-supportable and, therefore, must be addressed with non-State resources only. In this context, the University has intensified its efforts to make the most efficient use of existing facilities, to carefully define and analyze facility needs, to evaluate competing needs and set priorities that maximize the value of available funds, and to continually improve management of project design and construction.

This item seeks approval of the *2015-16 Budget for State Capital Improvements*. The Committee on Grounds and Buildings is considering a related action at the September meeting: to concur in approval of the *2015-16 Budget for State Capital Improvements*. It is critical to have the Board approve the capital outlay plan at the September meeting so that discussions with the State may proceed. However, it should be noted that action on the operating budget for the use of State-appropriated funds in 2015-16 will be taken at the November meeting. If there are insufficient funds available in 2015-16 to adequately fund the basic operating budget, the State-funded capital outlay program for 2015-16 may be truncated.

It is anticipated that an item will be presented to the Regents at a future meeting for approval of the general funds financed-related external financing for the 2015-16 State Capital Program.

(Attachment below)

ATTACHMENT 1

2015-16 BUDGET FOR STATE CAPITAL IMPROVEMENTS (\$000s)
CCCI 6284

CRITERIA	CAMPUS	PROJECT	PHASE	REQUEST	SOURCE	TOTAL
						BUDGET
Continuing Projects						
Modernization	ANR	Intermountain Research Extension Center	C	\$1,786	*	\$2,086
			E	\$100 CF		
Seismic/Life Safety	DV	Chemistry Seismic and Life Safety Corrections	C	31,076	*	34,558
Previous Growth	M	Classroom and Academic Office Building	E	4,951	*	54,845
Modernization	R	Batchelor Hall Building Systems Renewal	WC	17,777	*	18,179
Seismic/Life Safety	R	Environmental Health and Safety Expansion	E	369	*	21,051
Seismic/Life Safety	SF	Clinical Sciences Building Seismic Retrofit	C	21,735	*	91,468
			C	52,001 EF	*	
Previous Growth	SC	Coastal Biology Building	E	2,000	*	73,642
New Projects						
Seismic/Life Safety	SB	Campbell Hall Replacement Building	PWCE	15,787	*	31,574
			PWCE	15,787 CF		
Modernization	B	Wheeler Hall	WC	19,400	*	20,500
			PW	1,100 CF		
Previous Growth	SD	Biological and Physical Sciences Building	C	55,800	*	111,600
			C	46,700 EF	*	
			E	4,600 CF		
Infrastructure	SC	Telecommunications Infrastructure Phase B	C	12,623	*	14,600
				413 CF		
Seismic/Life Safety	IR	Fire and Life Safety Improvements Phase 1	DC	35,486	*	35,486
Modernization	R	Pierce Hall Improvements	PWC	34,680	*	34,680
Seismic/Life Safety	SC	Environmental Health and Safety Facility	PWC	19,437	*	19,437
Seismic/Life Safety	LA	CHS - SOM West Seismic Renovation	C	25,000	*	40,000
			PWC	15,000 CF		
TOTAL 2015-16 STATE PROGRAM				\$297,907		\$603,706
* Financing associated with this fund source is subject to a future action.						