

# F4B

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

**ACTION ITEM – CONSENT**

*For Meeting of May 23, 2018*

**APPROVAL OF EXTERNAL FINANCING SUPPORTED BY STATE GENERAL FUNDS, RIDGE WALK ACADEMIC COMPLEX, SAN DIEGO CAMPUS AND NORTHERN REGIONAL LIBRARY FACILITY, SYSTEMWIDE**

**EXECUTIVE SUMMARY**

Since 2013, under provisions in the Education Code, the University of California is authorized to finance capital expenditures or fund pay-as-you-go capital outlay with its State General Fund appropriation. Following a September 2017 discussion by the Finance and Capital Strategies Committee, the Regents accepted the 2018-19 Budget for State Capital Improvements in November 2017 (*Acceptance of the University of California 2018-19 Budget for State Capital Improvements*), a portfolio that includes eight capital projects and the second phase of a deferred maintenance program. These projects are all to be funded wholly or in part through financing allowed in the provisions in the Education Code.

This item requests that the Regents approve \$80 million of external financing serviced by State General Fund appropriations for two projects that are in the 2018-19 Budget for State Capital Improvements: the Ridge Walk Academic Complex on the San Diego campus and the Northern Regional Library Facility Phase 4 Expansion. These projects have been approved by the Regents and the requested approval of external financing does not change the budget amounts as previously approved.

**RECOMMENDATION**

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that:

- A. The President be authorized to obtain external financing not to exceed \$80 million plus related interest expense and financing costs for the following projects included in the 2018-19 Budget for State Capital Improvements:

<b>Campus</b>	<b>Project</b>	<b>State General Funds Financed (\$000s)</b>	<b>2018-19 State Phase</b>
San Diego	Ridge Walk Academic Complex	\$50,000	Construction
Systemwide	Northern Regional Library Facility Phase 4 Expansion	\$30,000	Construction Equipment
<b>TOTAL STATE FUNDS FINANCED</b>		<b>\$80,000</b>	

- B. The President shall require that:
- (1) Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
  - (2) The primary source of repayment for the external financing of \$80 million plus related interest expense and financing costs shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.
  - (3) The general credit of the Regents shall not be pledged.

**BACKGROUND**

Sections 92493 through 92496 of the Education Code authorize the University to use its State General Fund support appropriation to fund capital outlay and make debt service payments on its General Revenue Bonds issued for projects that have been approved by the State. Since this authority was granted to UC in 2013, the University has received approval from the State Department of Finance and the Legislature totaling \$1.5 billion in State-eligible capital projects.

*2018-19 State Capital Budget*

At its September 2017 meeting, the Finance and Capital Strategies Committee (Committee) considered a discussion item on the 2018-19 Budget for State Capital Improvements. In November 2017, following the recommendation of the Committee, the Regents accepted the 2018-19 Budget for State Capital Improvements.

The 2018-19 Budget for State Capital Improvements totals \$300.8 million and includes eight capital projects and the second phase of a systemwide deferred maintenance program. The projects address seismic and life safety corrections at the Berkeley, San Diego, and San Francisco campuses; enrollment growth at the Davis, Riverside, and Santa Cruz campuses; and systemwide library storage needs.

This item requests that the Regents approve external financing serviced by State General Fund appropriations for two projects in the 2018-19 Budget for State Capital Improvements: Ridge Walk Academic Complex on the San Diego campus and the Northern Regional Library Facility Phase 4 Expansion. The project budget for Ridge Walk Academic Complex was approved by the Regents in November 2017 and the Regents approved the project's design following action pursuant to the California Environmental Quality Act (CEQA) in March 2018. At the same March 2018 meeting, the Regents approved the budget and design following action pursuant to CEQA for the Northern Regional Library Facility Phase 4 Expansion project. The action requested in this item does not change the budgets or designs that were previously approved by the Regents.

**Key to Acronyms**

CEQA	California Environmental Quality Act
Committee	Finance and Capital Strategies Committee