

Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:

ACTION ITEM

For Meeting of November 17, 2009

ACCEPTANCE OF 2009-19 CAPITAL FINANCIAL PLAN AND PHYSICAL DESIGN FRAMEWORK AND AUTHORIZATION TO PARTICIPATE IN THE PILOT PHASE OF THE REDESIGNED PROCESS FOR CAPITAL IMPROVEMENT PROJECTS, BERKELEY CAMPUS

EXECUTIVE SUMMARY

Campus: Berkeley

Proposed Actions (2): Acceptance of the *UC Berkeley 2009-2019 Capital Financial Plan* and *Physical Design Framework* (November 2009)

Authorization to participate in Pilot Program of the Redesigned Process for Capital Improvement Projects (“Capital Projects Pilot Program”)

Previous Actions: **September 2008:** Committee on Grounds and Buildings – Action – Temporary Amendment of Applicable Standing Orders and Regental Policy and Approval of Implementing Guidelines for Pilot Phase of the Redesigned Process for Capital Improvement Projects

March 2008: Committee on Grounds and Buildings – Action – Acceptance of the Report of the Capital Projects Working Group and Approval of Pilot Phase of Process Redesign for Capital Improvement Projects

February 2008: Committee on Grounds and Buildings – Discussion – Progress Report on the Capital Projects Working Group

January 2005: Committee on Grounds and Buildings - Certification of Environmental Impact Report and Approval of the UC Berkeley 2020 Long Range Development Plan

Project Summary: The Berkeley Campus requests approval to begin on-campus review and consideration of capital projects within the delegated authority of the Chancellor under the Capital Projects Pilot Program. Consistent with the guidelines for the Capital Projects Pilot Program, the campus submits its ten-year *Capital Financial Plan* and *Physical Design Framework* at this

meeting. The 2020 Long Range Development Plan for the Berkeley campus was approved by the Regents in January 2005.

RECOMMENDATION

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

- (1) Accept the *UC Berkeley 2009-19 Capital Financial Plan* and the *Physical Design Framework (November 2009)*; and
- (2) Authorize the Berkeley campus to participate in the Pilot Phase of the Redesign Process for Capital Improvement Projects.

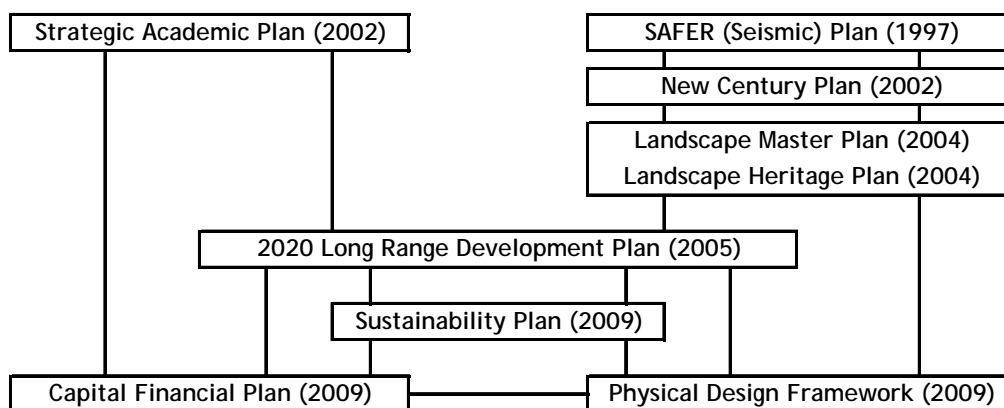
BACKGROUND

To be eligible to participate in the Pilot Phase of the Redesign Process for Capital Improvement Projects, each campus must obtain acceptance by the Committee on Grounds and Buildings of its *Capital Financial Plan* and *Physical Design Framework*. These documents are based on the campus Strategic Academic Plan and Long Range Development Plan.

The Berkeley campus requests acceptance of its *2009-2019 Capital Financial Plan* and *Physical Design Framework* and approval to begin on-campus review and consideration of approval of capital projects within the delegated authority of the Chancellor under the pilot phase of the redesigned process for capital improvement projects. These two plans together present an integrated academic, physical, and capital plan that is financially feasible. Acceptance of these plans, in concert with its *Strategic Academic Plan* and *2020 Long Range Development Plan (2020 LRDP)* delegate authority to approve non-State budgets and designs of all projects with values less than or equal to \$60 million. Through this process, the Regents will exercise portfolio oversight of capital projects; the Office of the President will provide due diligence regarding approval procedures and legal, financial, or policy risks; and the campus will have greater responsibility and accountability for the successful delivery of capital projects.

As shown in figure 1, the *UC Berkeley 2009-19 Capital Financial Plan* and *Physical Design Framework (November 2009)* draw upon and integrate several campus plans.

Figure 1. UC Berkeley Plan Documents



Capital Financial Plan

The *UC Berkeley 2009-2019 Capital Financial Plan (Plan)* reflects key academic and strategic campus goals that would be achieved through a program of capital investment consistent with the *Physical Design Framework (November 2009)*. The *Plan* provides a financial framework for the campus to renew or replace aging buildings and infrastructure, improve life safety and seismic resistance, accommodate campus growth and academic initiatives, enhance intellectual community and the quality of campus life, and create a model of sustainable campus design.

Funding and program details are presented in the attached *UC Berkeley 2009-2019 Capital Financial Plan*. Each of the capital investments proposed in the *Plan* is linked to one or more campus goals established in the *Strategic Academic Plan* and/or the *2020 LRDP*.

The *Plan* also includes an update on the status of campus sustainability efforts. Because the *Plan* will be updated annually, and because sustainability efforts are evolving, the *Plan* is the document which will include these updates.

Overview

The Berkeley *Plan* describes a capital investment program with a total value of \$2.2 billion in 2010 dollars.¹ As shown in figures 2, 3, and 4:

- The investment program is comprised of \$569 million (26 percent) in State and \$1.647 billion (74 percent) in Nonstate resources. Nonstate resources include \$605 million in gifts, \$238 million in campus equity and reserves, \$11 million in federal funds, and \$793 million of external financing, of which \$171 million is general campus debt and \$622 million is auxiliary debt.
- Over half the investment program is designated for core facilities for Instruction & Research (41 percent) and I & R Support (15 percent).
- As evidence of the substantial and ongoing investment in seismic upgrades at Berkeley, nearly half of the entire investment program is designated for seismic renovations or replacements (46 percent). Another 21 percent is directed toward other renovations and infrastructure renewal. Only 32 percent is proposed for new facilities which are not seismic replacements.

State Funding

Although the future of state capital funding is highly uncertain, the *Capital Financial Plan* has assumed State funding would remain at the equivalent of the 2010-2015 Berkeley general campus target prescribed by Office of the President – \$245.9 million at CCCI 5565, or an average of \$49 million per year.

¹ For projects 2010-2019, all dollar values are indexed to CCCI 5565, consistent with the 2010-2015 state capital improvement plan submittals

Office of the President has also instructed the campuses to assume separate 'health sciences bond' funding of \$100 million per year for this same period 2010-2019. There is no plan yet for how this funding would be allocated to the campuses, but for the purpose of the *Capital Financial Plan*, it was suggested that each of the five medical centers assume 1/6 of the \$900 million total. The sixth share would be reserved by Office of the President to address other needs. The *Berkeley Plan* includes a \$50 million allocation, or roughly 1/3 of this sixth share, to address the needs of its health science programs.

Figure 2. Capital Investment Program
by Fund Source

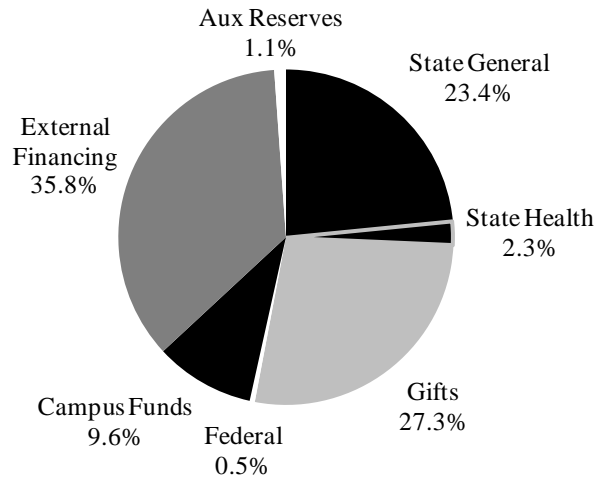


Figure 3. Capital Investment Program
by Use of Space

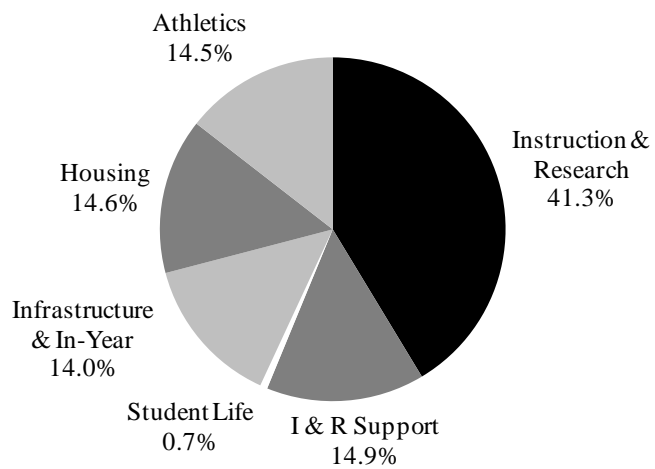
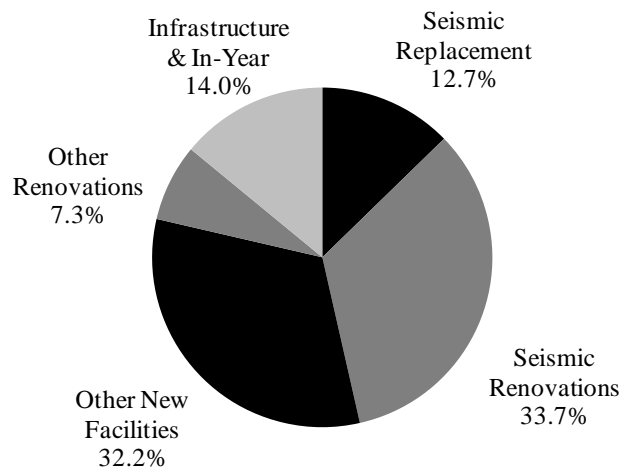


Figure 4. Capital Investment Program
by Type of Project



Gifts

The *Campaign for Berkeley* is now underway. The goal of the *Campaign* is to raise \$3 billion to support Berkeley's students, faculty, and programs. Approximately 43 percent, or \$1.3 billion, of the goal had been raised as of fall 2008. The quiet phase of the *Campaign* began in July 2005. The public phase runs for five years, ending June 2013; 20 percent of the funds, or \$600 million, is planned to go toward building or improving campus facilities.

Over 40 percent of this \$600 million is already committed to projects which started construction prior to 2009-2010, and are thus outside the timeframe of the *Plan*. The *Plan* has assumed gift funds would first be directed to these projects. The balance of the capital gift target available for projects in the *Plan* is just over \$342 million.

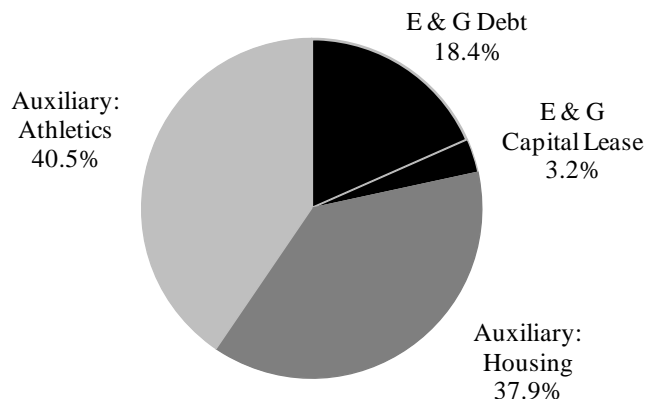
While the \$605 million in gift funds required by the *Plan* is greater than the balance of the campaign target, those projects beyond the target are planned for the period 2013-2019, after the conclusion of the present campaign. The subtotal through June 2013, \$363 million, only slightly exceeds the uncommitted balance of the campaign target.

External Financing

The feasibility of external financing is based on existing financial models for auxiliaries (such as housing and parking), education and general debt (for core instruction, research, and support functions), and plant operations (such as energy programs). The *Plan* includes a new long-term capital lease for a project expected to be implemented as a third-party partnership: the *Plan* includes the capital lease as a debt obligation.

Office of the President is currently reformulating the external financing models, and is also finalizing a debt affordability model, to assess the capital debt position of each campus in relation to standard financial metrics. Although the model has not yet been implemented, the Berkeley *Plan* includes an analysis of the campus' debt position in terms of one of the metrics proposed for the model—the ratio of debt service to operating expenditures. Since the *Plan* is expected to be reviewed and updated each year, the amount of capital debt proposed in the *Plan* would be recalibrated to current conditions at each iteration.

Figure 5. External Financing



Physical Design Framework

The current UC Berkeley *2020 Long Range Development Plan (2020 LRDP)* was approved by the Regents in January 2005 and sets forth the overall land use plan for development of the campus through a projected horizon year of 2020.

The Berkeley *Physical Design Framework (November 2009) (Framework)* is a synthesis of the campus' significant investment in strategic academic and physical planning over the past decade, updated to reflect new initiatives and challenges. The *Framework* supports the *2020 LRDP*, and also draws upon and integrates the results of several other major, interrelated Berkeley campus studies and plans that shaped the goals and policies articulated in the *2020 LRDP*, as shown in figure 1.

The *Framework* describes the context and history of the development of the Berkeley campus, the oldest in the UC system, and the physical legacy that continues to inform and inspire our forward planning; summarizes the core principles underlying the *2020 LRDP*; identifies key challenges and opportunities; and articulates the standards that guide design decisions across the range of environs that, together, make Berkeley distinctive among academic settings.

Whereas the *2020 LRDP* documents principles and policies, the *Framework* is intended to be an active communication and reference tool, providing more specific guidance on physical design. Berkeley is committed to the responsible stewardship of its environs, and to sustaining the quality and character of the physical campus as it expands and evolves. The *Framework* will communicate to design professionals, as well as to the broader community, the campus' expectations for sustaining its quality and character, even as we recognize and incorporate emerging program needs and building technologies in the twenty-first century. It will be used by the campus to inform project-specific design guidelines and reviews by the campus design review committee, both of which are required under the *2020 LRDP*.

Prominent among those considerations is the heightened emphasis on achieving a sustainable environment, globally as well as locally. As Berkeley researchers lead the world's increasing understanding and capability in the environmental sciences, the campus community aspires to leadership in environmental quality and sustainable practices. The *Plan* contains an update on the Berkeley campus' initiatives toward more sustainable design and operations. Many of those initiatives help shape the design of both new construction and renovation projects.

The environmental effects of development under the *2020 LRDP* were evaluated in the LRDP Environmental Impact Report. The plans described in this outline do not change the land use plan in the LRDP or alter the projected square footage estimated to meet the demands of the projected campus population and institutional objectives of the campus as analyzed in the LRDP EIR. Acceptance of these plans does not relieve the campus from complying with the California Environmental Quality Act (CEQA) for individual projects. Participation in the pilot program changes only the decision-making level (i.e. from Regents to Chancellor) for project approval.