April 20, 2010

TO: Members of the Board of Trustees

FROM: Barry M. Feldman
Vice President and Chief Operating Officer

Richard D. Gray
Vice President and Chief Financial Officer

RE: UCONN 2000 Fiscal Year 2011 Capital Budget

RECOMMENDATION:

That the Board of Trustees approve a capital budget in the amount of $138,800,000 in UCONN 2000 General Obligation Bonds for Fiscal Year 2011.

BACKGROUND:

We bring to you the proposed capital budget for UCONN 2000 Phase III (also known as 21st Century UConn) for FY11, which reflects the statutory authorization “cap” of $138,800,000 for FY11. This amount includes $93,800,000 for the Storrs-based capital program and $45,000,000 for the Health Center. To support this capital activity, we will be submitting to the Board at a later date the Seventeenth Indenture authorizing University of Connecticut General Obligation Bonds for the seventeenth issuance under the Master Indenture in an amount not to exceed $138,800,000 plus cost of issuance. The approval of this Indenture is delayed until the General Assembly passes the new UCONN 2000 legislation. As with previous issuances, these funds support cash flows for both current year projects and prior years’ projects where bonding has not yet occurred.

The proposed FY11 capital budget is Attachment A. Attachment B displays the funding analysis of proposed projects, and Attachments C and D are the proposed Deferred Maintenance/Code/ADA Renovation Lump Sum projects for the Storrs-based program and the Health Center for FY11. Also enclosed for your information are two documents we update for you annually (and sometimes more frequently): the UCONN 2000 Phase III Preliminary Outline, which is our tentative general plan going forward, and the UCONN 2000 Phasing Outline, which shows adjustments to allocations. Please note that the Preliminary Outline contains significant revisions, in both timetable and dollars, which are described below.
The key elements underlying the revisions to the phasing outline are detailed below. These changes are driven by academic priorities, economic realities and the importance of spending bond proceeds in a timely manner.

1. Program and planning adjustments. Significant changes have been made at Storrs and at the Health Center from last year’s preliminary plan. The Governor deferred the approval of the UCONN 2000 General Obligation bonds for FY10. As a result of this action, the University reprioritized some projects included in the FY08 and FY09 plans during this past year in order to keep design and construction moving forward.

On March 9, 2013, Governor M. Jodi Rell announced plans to establish the UConn Health Network – a unique partnership with area hospitals aimed at creating jobs and improving access to quality health care in the state. The centerpiece of the partnership is a new patient care tower and renovations to John Dempsey Hospital at the Health Center. The Governor estimates the state "stands to gain 5,000 new jobs in the years to come."

The UConn Health Network would involve the cooperation of all the area hospitals including Hartford Hospital, St. Francis Hospital and Medical Center, Connecticut Children’s Medical Center, and other health care facilities and providers.

The plan for the hospital is estimated to cost $332 million and funding would come from various sources.

- UCHC Existing UCONN 2000 Allocation: $25M
- Federal or Other Non-State Funds: $100M
- Increase in UCONN 2000 Bonding: $207M

Features of the Network to be funded with $20M in General Obligation Bonds to be issued directly by the state include:

- Neonatal Intensive Care Unit: The operations will be managed by Connecticut Children’s Medical Center. Patients will continue to be treated at the Health Center; NICU physicians and staff will remain Health Center employees.
- Nationally recognized cancer center: The goal will be to achieve National Institutes of Health designation as a Comprehensive Cancer Center, making it the second in the state outside of Yale.
- Regional Simulation Center: It will train up to 2,000 medical practitioners each year on newest equipment and technology in simulated care settings and will be located at Hartford Hospital.
- Primary Care Institute: It will be located at St. Francis Hospital and will develop new models of chronic disease management and primary care delivery and education. It will also address the impending shortage of primary care providers in Connecticut.
- Health Disparities Institute: It will promote enhanced healthcare research, training and delivery to minority communities.
- Institute for Clinical and Translational Sciences: It will be a super-site by network partners and will speed lab-to-bedside clinical trials and breakthrough medicine.
- Bioscience Enterprise Zone: It will offer state tax breaks to private companies that create jobs and work with UConn Health Network partners.
The UConn Health Network plan will be presented to the state legislature in hopes of getting legislation passed before the end of the spring session which is scheduled to adjourn May 5, 2010. Once this legislation passes, we will come back to you for approval of the 17th Supplemental Incenture. After approval, we will be submitting the FY11 request to the Governor.

The administration of the University is certain these initiatives and the investment of federal and state funds in a new John Dempsey Hospital patient tower substantially enhances the reputation of the University as a whole. However, given the current economic climate, if the hospital project moves forward, the University will be required to make both direct and indirect investments to leverage other incremental sources of funds.

A direct investment of $25 million from the University of Connecticut Health Center’s existing UCONN 2000 bond allocation will be required. This means sacrifice at the Health Center in that other planned projects will either not proceed or have their scope reduced.

The responsibility for the indirect investment component of the proposed construction project will fall on the University at Storrs and Regional Campuses and the University of Connecticut Health Center. As currently projected, the annual bonding caps under UCONN 2000 will be reduced, while additional UCONN 2000 bonds are issued to construct the John Dempsey Hospital. These reductions as well as the FY10 amount of $140.5 million deferred by the Governor will be restored over the remaining life of the program through an extension of the current end date of FY16 to FY18.

The rescheduling and extension of UCONN 2000 allows for the issuance of bonds to construct the hospital without the cancellation of other capital projects across the state thereby increasing the probability of a successful effort at the General Assembly. The net total effect of the revised bonding program, not including the opportunity costs associated with the delay, is zero. These deferrals will cause delays in the original building program and the opportunity costs associated with the delays, along with the extension of the program to FY18, will likely require a change in scope of UCONN 2000 named projects. This will require some sacrifice by a variety of stakeholders at the Storrs and Regional campuses; but given the economic environment, sacrifices would likely occur in the absence of a new hospital. This revision to the schedule is a proactive attempt on the part of the UConn administration to restore some level of predictability to annual funding levels, while continuing the building program, albeit at a slower rate than anticipated.

Given the extension of the building program to 2018 and the changes in the annual allocations necessitated by debt limitation, there will certainly be the need to revise our building schedules in the future. The senior administration of the university will consult with appropriate campus bodies as re-prioritizations are made and will ensure that the community is kept well informed.

2. Cash flow. We have made changes to accommodate revised cash flow needs, actual and projected, keeping in mind IRS requirements related to spending. Generally speaking, any delay in a large project means a delay in a significant amount of expenditure. The revised
program plan and timetable primarily for the Arjona and Monteith project means a major cash flow demand in FY11. In addition, we anticipate a continuation of planning and design for a number of small projects that will move quickly and allow us to spend funds as soon as we can from the May 2010 bond issuance. The phasing outline also displays how funding is fluid in terms of meeting Storrs and Health Center needs. As long as we operate within the annual bond caps, and as long as the plan totals $504 million for the Health Center and $1 billion for Storrs, the authority to make these adjustments is assigned to the Trustees by law. This statutory flexibility is absolutely critical to managing the budgets and financing of the building program.

3. Indenture Amendments. As you know, the law specifically gives the Board the authority to make revisions to project budgets and related indentures; indeed, it would be virtually impossible to manage a ten-or twenty-year program without the authority to make such adjustments. These revisions are technically complex, however, because 1) we have many projects, 2) we must operate within statutory annual bond caps, 3) we must observe tax-related expenditure requirements and 4) the adjustment of the equipment and deferred maintenance lines generally involves revisions for a number of years. In short, while revisions may affect current projects, given the annual bond caps they also have a rollout effect over the next decade. The Board of Trustees also has the authority to amend past indentures in order to reflect changes as project budgets are finalized, audit adjustments are required, or other eventualities affect the capital budget for a given prior fiscal year. At this time, there are not any indenture amendments.

Below you will find a brief description of each of the projects in the FY11 capital budget. These are very general summaries; individual project budget descriptions (which are acted upon separately) provide much more detail regarding project scope, timetable, cost and funding sources. As always, the proposed use of capital funds for the Health Center is forwarded to you with the recommendation and endorsement of the Health Center’s Board of Directors, who discussed and acted on these items on April 12, 2010.

Thank you. We look forward to discussing these and many other aspects of the capital budget with you at the meeting.
Storrs and the Regional Campuses

Arjona and Monteith (New Classroom Buildings)

These two original classroom buildings, perhaps the most highly visible on campus, were constructed in 1959 with each having 68,600 square feet of space on four levels. Connected to the Monteith building is the 4,000 square foot Schenker Lecture Hall. These two buildings are the most heavily used classroom facilities on the Storrs Campus. They also contain offices for many of the departments within the College of Liberal Arts and Sciences. It was anticipated within the UCONN 2000 program that these buildings would be renovated; however, 1) the cost far exceeded planned allocations and 2) the University could not take critically important existing classroom space off-line. The current project includes the construction of two new classroom buildings. One building will contain the departmental offices and some of the classrooms currently in Arjona and Monteith. The second building is a dedicated classroom and lecture hall building. Construction of the West building started in the fall of 2009 at the former site of the Pharmacy Building. Funding authorized in the FY11 budget will allow construction to begin in the fall of 2010 on the East building at the former site of the Co-op.

Avery Point Campus Undergraduate and Library Building

During the first phases of the UCONN 2000 program, the needs for research space were addressed with the new Marine Sciences building, as well as construction of a new facility for Project Oceanology. With the repairs to the Branford House, the needs for administrative space were met when new infrastructure was installed. This project will support new or renovated undergraduate instructional and library space, an expanded and enhanced student union, demolition of WWII era buildings and unoccupied houses, and repairs to the existing buildings. FY11 funding will allow the continued design of the student union as well as the demolition of the old Coast Guard buildings.

Biobehavioral Complex Replacement

At the Biobehavioral complex on Horsebarn Hill Road are a number of metal prefabricated buildings that are used as research laboratories. One of the buildings, HBH4 (Horsebarn Hill 4), is a larger facility (21,208 square feet) with a relatively new addition (23,332 square feet). All of the buildings require improvement or replacement to accommodate research needs. The original plan for the project involved construction of a centralized facility and, upon completion, demolition of the old buildings. Based on evaluation of the complex, renovation of HBH4 now appears to be a more cost-effective approach than replacement. The FY11 plan provides funding for building roof and HVAC repairs.

Deferred Maintenance/Code/ADA Renovation Lump Sum

The 2007 amendments to the law define the “deferred maintenance” part of the project name as “repair of an infrastructure or structure that was not maintained, repaired or replaced in the usual course of maintenance and repair.” In general, projects undertaken fall into one or more of the following categories:

- Safety and code required improvements
- Roof and exterior repairs
• Building mechanical system improvements
• Utilities repairs and upgrades
• General building renovations
• Roads, walkways and grounds

The Phase III total project budget is now projected at $285.6 million.

**Engineering Building**

The School of Engineering is located in five buildings on the Storrs campus. Of the five, the new Information Technology building and Castleman (renovated in 1991) meet academic and research program needs. The remaining three buildings, Bronwell (37,700 square feet-constructed 1968), Engineering II (58,000 square feet-constructed 1959) and UTEB (47,000 square feet-constructed 1987), need extensive renovations to meet the engineering academic and research programmatic needs. This project as originally envisioned would consolidate engineering programs in these three buildings into a new building and then demolish the old buildings. The planning phase of this project will help determine whether new construction or renovation would best serve the University goals. Should renovation be the preferred option, the Board will be asked to clarify the project definition. FY11 funding will allow planning and design work to continue.

**Equipment, Library Collections & Telecommunications**

The enhancement of the University’s infrastructure includes its instructional and scientific equipment. The equipment replacement category permits the University to replace outmoded items with state of the art laboratory devices and computers. The funding covers seven major categories: management information systems, computers, research equipment, instructional equipment, furnishings, operational and public safety support, and library materials. Library materials are no longer purchased with UCONN 2000 funds; this expense has been moved to the operating budget. The total Phase III project budget is now projected at $56.4 million.

**Floriculture Greenhouse**

This facility is located on Route 195, south of the Towers Dormitories. Constructed in 1953, it contains 23,750 square feet of headhouse and greenhouse space. The headhouse has both classroom lab space and support space for the greenhouses. The original materials used to construct this facility require a large amount of annual maintenance given the significant impact of a greenhouse environment. The ventilation systems are outdated and the glazing systems require replacement. Current plans envision interior renovations and repairs to the roof, façade, and the greenhouses.

**Psychology Building Renovation/Addition**

This facility, which contains 87,000 square feet, was constructed in 1974. Its three levels have offices, classrooms, research laboratories and animal care facilities. Previously, in the UCONN 2000 program, the animal care facilities were renovated and roofs and plazas re-built. The programs of the Psychology Department are in increasingly high demand; with expanded enrollment and research activity a general renovation and addition to the building are essential. The building needs general renovation work including HVAC, lighting and other utility...
upgrades, replacement of windows/doors/restroom fixtures, and new interior finishes. Consolidation of faculty currently located in a temporary building necessitates an addition to the existing building. FY11 funding will allow for continued design of this project.

**Storrs Hall Addition**

Earlier in the UCONN 2000 program, Storrs Hall was renovated for the School of Nursing. Currently, next to Storrs Hall the School has offices in a temporary modular building. This project would construct an addition to Storrs Hall to provide a permanent home for these functions and to expand instructional space for a growing program under pressure to address severe workforce shortages in nursing. The current funding plan reflects an added commitment to this project and will satisfy programmatic needs and critical work in the existing facility. FY11 funding will allow for construction of this project to begin during the spring 2011.

**West Hartford Campus Renovations/Improvements**

The major buildings on the West Hartford campus are: Library Building (67,700 square feet of space), School of Social Work (34,000 square feet of space), and the Undergraduate Building (67,400 square feet of space). The buildings were constructed in 1964, 1968 and 1971 respectively. Virtually no renovation or expansion has taken place in the intervening decades. In order for the buildings to meet their functional needs for the twenty-first century, renovations/improvements are needed on all buildings. The renovations are being phased over several years. FY11 funding will allow for façade repairs and window restoration at the School of Social Work and Library Building.

**Young Building Renovation/Addition**

This building was constructed in 1953 and has 71,937 square feet of office, classroom and lab spaces. The occupant of the building is the College of Agriculture and Natural Resources. Additionally, within the College of Agriculture and Natural Resources, the Nutritional Sciences Department is housed in the Jones Building. This building, because of its lab needs and general poor condition of all its systems, was slated for a full renovation and an addition should space needs require. The renovation work is the first order of business, with the project scope including:

- Replace windows
- Repoint masonry
- ADA modifications
- Replace or upgrade HVAC and other utility systems
- Upgrade fume hoods, lighting and other fixtures
- Replace restroom fixtures

FY11 funding will support continued design of this project.

**Health Center**

**CLAC Renovation Biosafety Level 3 Lab**

This project entails renovations to the building housing the Center for Laboratory Animal Care. The 59,000 square foot facility was built in 1972. The proposed renovation includes upgrades of the HVAC system, lighting, power, flooring and lab casework. FY11 funding will support the completion of the design as well as pre-construction services.
Deferred Maintenance/Code/ADA Renovation Lump Sum

The 2007 amendments to the law define the “deferred maintenance” part of the project name as “repair of an infrastructure or structure that was not maintained, repaired or replaced in the usual course of maintenance and repair.” In general, projects fall into one or more of the following types of work:

- Roof and exterior repairs
- Code required improvements
- Building mechanical system improvements
- Utilities repair and upgrades
- Classroom renovations
- Roads, walks and grounds

The Phase III project total is now projected at $44.9 million.

Dental School Renovation

The School of Dental Medicine has facilities in the “C”, “L”, and “A” Buildings totaling 103,118 square feet. Most of these areas remain the same as when they were originally constructed in 1975 and are in need of major renovations to bring the facilities in line with current code and accreditation standards. It is extremely important that we have up-to-date facilities and equipment to properly train our students in the most modern dental techniques utilizing equipment that is appropriate for private practice, keeping in mind that the Health Center is the primary provider of new dentists for the entire state of Connecticut. This project would provide general renovation to all dental teaching and support space and the installation of new dental equipment to meet current and future needs. The FY11 funding would be for the design and construction of the Orthodontics Clinic.

Equipment, Library Collections & Telecommunications

Funds are needed to support the Health Center’s equipment, library collections and telecommunications infrastructure. Outmoded items must be replaced with equipment that is necessary to support research and instructional activities, maintain building compliance, conserve energy, and provide a safe environment for the students, staff, and hospital patients. It is essential that the equipment be current in the laboratories and student learning environments for the institution to remain competitive for research dollars and top faculty and students. Equipment startup packages are key elements in attracting talented new faculty to the Health Center. Library acquisitions are also integral to the support of academics and research. The medical resources in the library require continued updating to ensure rapid access to all forms of printed and electronic documents. The total Phase III project budget is now projected at $62.6 million.

Hospital Planning and Design Costs

This is a new named project which will allow for the planning and design of the UConn Health Network. Among the items to be included in the planning are the construction of a new bed tower at John Dempsey Hospital and renovation to other academic, clinical and research space at the University of Connecticut Health Center. While it is anticipated that planning and design activity may span a few years, all funding for this project is allocated in FY11.
Library/Student Computer Center Renovation
This project will address long-standing deficiencies within the 50,000 square foot medical library. The thirty-year-old library has had few upgrades to the layout or furnishings during this period and consequently, can no longer adequately meet the needs of the students, faculty and the general public. It is important to point out that the Health Center’s library is the State’s primary health resource for medical providers and the general public. This project will include the Electronic Reference Center and Classroom, which will provide computer workstations and network connections to accommodate Internet-based health information searches, instruction, and training.

Integral to the project is a new Student Center facility. The space would provide 24-hour study rooms, a lounge area with recreational/physical fitness equipment, and men’s and women’s locker rooms with shower facilities. FY11 funding will provide for the design and construction of the student lounge.

Main Building Renovation
The Health Center’s enormous main building includes access areas used by the general public as well as research, academic and clinical space. This renovation’s focus is the building’s research space, major building systems and public areas. The facility consists of seven floors, which house over 200 research labs and support space, and five floors of mixed use that include classrooms, student support spaces, operations support and mechanical spaces. Over the life of the building, no substantial renovations or upgrades have been undertaken. This major project will be accomplished over the entire life of Phase III of the UCONN 2000 program. The FY11 funding will allow continued design of the project.