

VII. STANDING COMMITTEES**B. Finance, Audit and Facilities Committee**West Campus Parking Garage Expansion Revised Budget, Financing Plan & Delegated AuthorityRECOMMENDED ACTION:

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents approve:

- 1) an increase in the total project budget for the West Campus Garage Expansion project be increased from \$12,785,000 to \$17,900,000;
- 2) financing the construction of the project through the issuance of up to \$4 million in short term notes (commercial paper) and the issuance of long term debt in the amount required to pay off the notes when UW General Revenue bonds are next issued.; and,
- 3) delegation of authority to the President or his designee to:
 - a. award a construction contract, subject to the scope, budget and funding remaining within 10% of the established budget,
 - b. execute documents as required to compete the interim and permanent financings, including the authority to set maturities and roll periods for the short term notes prior to obtaining permanent financing.

BACKGROUND:

The University of Washington intends to add an additional 326 parking spaces to the existing 660 spaces in the West Campus Parking Garage. This parking will serve the South/West campus, in response to increased parking demand that has occurred and which will continue to increase with construction of new buildings in this part of campus. Also, these additional parking spaces are part of the plan to mitigate the temporary loss of up to 600 parking spaces during the six years of Sound Transit construction and need to be completed before this work begins in late 2009. The project, in its final completion, will also provide approximately 12,000 gross square feet (gsf) of office space. The intent is to first bid and build the parking garage along with the integral shell and core for the office building and then to follow up with the completion of the office space as a separately funded project.

LMN Architects completed Construction Documents in March 2006 and two bids were received for this project on May 9, 2006. The low bid was by Berschauer

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Phillips Construction Company, in the amount of \$12,014,149, 42% over the budgeted construction cost of \$8,487,000.

Based on post-bid research with the contracting community, bids exceeded the budget for a number of reasons: 1) inaccurate construction cost estimate in part due to mixing parking garage and office construction; 2) very busy construction industry significantly reducing market competitiveness; and 3) increased labor and material costs.

The plan is to re-bid the parking garage and building shell and core work only for a bid opening in January 2008 and to bid and complete the office space tenant improvements later to attract more specialized contractors for each phase. The revised project budget of \$17,900,000 includes a revised construction cost based on escalating the previous construction bid to the new bid opening date of January 2008; 0.75% per month (15.0 % total) plus 2.25% for market conditions.

FINANCING PLAN:

Sources of project funding are existing bond proceeds from the 2004 issue, the mitigation payment from Sound Transit, and new debt. Debt will be repaid from parking system and U-Pass revenues.

Funding will be applied to the West Campus Garage project as follows:

Sources of Funds:

Sound Transit Mitigation Payment	10,000,000
New Debt (See Note)	2,800,000
2004 Bond Proceeds	<u>5,100,000</u>
Total Sources of Funds	<u>17,900,000</u>

Uses of Funds:

West Campus Garage Project	<u>17,900,000</u>
Total Uses of Funds	<u>17,900,000</u>

Note: The remaining \$1.2 million in authorized new debt will be borrowed only as needed to fund un-programmed parking restoration after the Sound Transit project is complete.

CREDIT ANALYSIS:

Treasury Office performed a detailed credit analysis for Commuter Services as part of the due diligence for this borrowing. The primary sources of revenue

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within Commuter Services are parking and U-Pass fees. Planned increases in parking fees will repay debt on the project. Debt service coverage after parking and U-Pass expenses are expected to average over 1.4 times over the ten year planning period. However, the implementation of a new city-imposed parking tax in fiscal year 2008 and expected increases in transit costs will result in negative cash flows until fee increases catch up in 2012. The temporary deficits will be paid from Commuter Services reserves.

The primary financial risk associated with the project and the system is growth in costs without planned fee increases. Assuming transit costs grow as expected, at half the planned fee increases, Commuter Service reserves would be exhausted by 2012. A secondary risk is lower parking demand resulting from the higher parking fees. The last three parking fees increases have averaged about 9% per year with a resulting decline in parking permits of 1%-2% per year. Annual declines of more than twice this rate would be necessary to adversely affect Commuter Services cash flows. This is unlikely for two reasons. First, given that the UW sets parking prices in the U-District, competing lots are not as conveniently located and current land prices discourage development on new commercial lots. Second, the primary alternative for parking is the U-PASS and U-PASS fees are expected to increase at a greater rate than parking fees (to cover expected increases in transit costs).

Future plans to add additional parking capacity will depend upon parking demand, the impact of future campus construction, and Sound Transit project. All current and future projects will be repaid by new incremental revenues and as a result will not materially impact the University's debt capacity.

INTERNAL REVIEWS AND APPROVALS:

The Commuter Services financing plan has been reviewed and approved by the Senior Vice President for Finance and Facilities, the Vice Provost for Budgeting and Planning, and the Associate Vice President for Facilities Services.

ENCLOSURES:

- 1) Capital Projects Office – Summary Project Budget
- 2) Ten Year Commuter Services Proforma

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UNIVERSITY OF WASHINGTON
CAPITAL PROJECTS OFFICE - SUMMARY PROJECT BUDGET
STANDARD PROCUREMENT

PROJECT **West Campus Parking Garage**

Project Number:

ESTIMATED DATE OF COMPLETION: April

Original Budget Agreement	Current Budget (3/05)	Proposed Budget (10/07)	Final Costs
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BUDGET SUMMARY:

A. ACQUISITION	0		
B. CONSULTANT SERVICES			
1.	240,487	384,971	394,424
2. BASIC DESIGN SERVICES	313,848	384,773	391,661
3. EXTRA SERVICES/REIMBURSABLES	353,554	353,478	428,851
4. OTHER	201,373	444,012	554,746
5. DESIGN SERVICES CONTINGENCY	190,655	100,000	171,851
TOTAL CONSULTANT SERVICES	1,299,917	1,667,234	1,941,533
C. PRIMARY CONSTRUCTION CONTRACTS			
1. CONSTRUCTION	7,140,955	8,125,000	12,277,975
2. OTHER CONTRACTS	145,500	0	44,295
SUBTOTAL CONSTRUCTION	7,286,455	8,125,000	12,322,270
3. CONSTRUCTION	1,142,552	1,418,250	1,596,137
4. SALES	741,753	839,806	1,238,738
TOTAL CONSTRUCTION COST	9,170,760	10,383,056	15,157,145
D. EQUIPMENT	600,463	81,600	81,675
E. ARTWORK	0	0	0
F. OTHER COSTS	174,033	138,258	204,889
G. PROJECT ADMINISTRATION	354,827	514,852	514,758
H. RELATED PROJECTS/MITIGATION	0	0	0
COSTS	1,129,323	734,710	801,322
TOTAL PROJECT BUDGET	11,600,000	12,785,000	17,900,000

SOURCE OF

UW BUILDING			
STATE GEN'L FUND GO			
UW NON-STATE	11,600,000	12,785,000	
NON-STATE REVENUE			
TOTAL SOURCE OF FUNDS	11,600,000	12,785,000	0

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UW Commuter Services – Ten Year Commuter Services Performance
Projected Financial Results FY 2008 - 2017

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	AACG (1)
Parking	14,323	15,341	16,688	16,953	17,214	17,473	17,975	18,492	19,025	19,574	4%
Less: Sales	(1,039)	(1,081)	(1,178)	(1,196)	(1,214)	(1,232)	(1,268)	(1,307)	(1,346)	(1,386)	3%
Less: City Parking Tax	(605)	(923)	(1,311)	(1,331)	(1,350)	(1,370)	(1,411)	(1,453)	(1,497)	(1,542)	11%
Net revenue	12,678	13,336	14,199	14,426	14,649	14,871	15,296	15,733	16,183	16,646	3%
	-	-	-	-	-	-	-	-	-	-	
Parking Expenses	5,054	4,736	5,347	5,184	5,282	5,383	5,484	5,588	5,694	5,803	2%
	-	-	-	-	-	-	-	-	-	-	
Net Operating Income	7,624	8,600	8,852	9,242	9,367	9,488	9,811	10,144	10,488	10,843	4%
Interest Income	283	262	229	214	222	256	322	410	500	546	8%
Total	7,908	8,862	9,081	9,456	9,589	9,744	10,134	10,554	10,988	11,389	4%
Transfers											
Net U-Pass	(4,666)	(6,010)	(5,928)	(5,745)	(5,159)	(4,622)	(3,884)	(4,251)	(4,448)	(4,968)	1%
Other	(2,044)	(2,208)	(2,103)	(2,153)	(2,216)	(2,276)	(2,342)	(2,411)	(2,482)	(2,556)	3%
Total Transfers	(6,710)	(8,218)	(8,031)	(7,898)	(7,375)	(6,897)	(6,227)	(6,662)	(6,930)	(7,524)	1%
	-	-	-	-	-	-	-	-	-	-	
Debt Service	1,339	1,599	1,601	1,601	1,601	1,600	1,602	1,602	1,600	1,597	
	-	-	-	-	-	-	-	-	-	-	
Debt Service	0.89	0.40	0.66	0.97	1.38	1.78	2.44	2.43	2.54	2.42	
	-	-	-	-	-	-	-	-	-	-	
Net Free Cash	(141)	(955)	(551)	(43)	613	1,247	2,305	2,290	2,458	2,269	
	-	-	-	-	-	-	-	-	-	-	
Beginning Fund Balance	6,762	6,621	5,666	5,115	5,072	5,685	6,932	9,237	11,528	13,986	
Ending Fund Balance	6,621	5,666	5,115	5,072	5,685	6,932	9,237	11,528	13,986	16,254	
Components of Fund Balance											
Insurance	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	
Capital Reserve	1,700	2,500	2,500	2,500	2,500	3,000	4,000	5,000	7,000	7,000	
Operating	3,821	2,066	1,515	1,472	2,085	2,832	4,137	5,428	5,886	8,154	
Total Ending Fund	6,621	5,666	5,115	5,072	5,685	6,932	9,237	11,528	13,986	16,254	

(1) AACG is Average Annual Compound Growth Rate