

**MCLELLAN NUCLEAR RESEARCH CENTER
FINANCIAL QUALIFICATION REPORT**

UNIVERSITY OF CALIFORNIA DAVIS



LICENSE No. R-130

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June 10th 2020

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Attachment 1 University of California Annual Financial Report 2018

Attachment 2 Statement of Intent (SOI) Regarding Decommissioning Funding for the UC Davis McClellan Nuclear Research Center and 1.0 MW TRIGA reactor.

Attachment 3 Delegations of Authority

1. INTRODUCTION

This Financial Qualifications Report is submitted pursuant to the requirements of 10 CFR 50.33, 10CFR 50.71, and 10 CFR 50.75. Pursuant to 10 CFR 50.33(f)(2), none of the provisions of 10 CFR 50.33(d) apply. The applicant is a government institution of the State of California. Pursuant to 10 CFR50.71(b), a copy of the most recent financial statement for University of California Davis is appended to this report. Please reference Attachment 1, University of California Davis Annual Financial Report 2018.

2. ANNUAL FUNDING AND OPERATING EXPENDITURES

Pursuant to 10 CFR 50.33(f)(2), the estimated annual funding (Sources) and expenditures (Uses) for the first 5-year period after the projected license renewal are given in Table 1. As indicated below, the projected annual sources and uses levels are equal.

Table 1-McClellan Nuclear Research Center Projected Annual Sources and Uses¹

<u>Sources and Uses of Funds</u>						
<u>Sources</u>	<u>FY19-20</u>	<u>FY20-21</u>	<u>FY21-22</u>	<u>FY22-23</u>	<u>FY23-24</u>	<u>FY24-25</u>
Provost Funding	\$ 805,000	\$ 805,000	\$ 833,000	\$ 861,000	\$ 889,000	\$916,000
Commercial Income & Recharge Activies	\$1,299,000	\$1,650,000	\$2,063,000	\$2,269,000	\$2,269,000	\$2,475,000
Research Income & Recharge Activies	\$ 188,000	\$ 154,000	\$ 191,000	\$ 250,000	\$ 250,000	\$250,000
Total Sources	\$2,292,000	\$2,609,000	\$3,087,000	\$3,380,000	\$3,408,000	\$3,641,000
<u>Uses</u>						
Core Operations (non-profit) and Research Support	\$ 899,000	\$1,041,000	\$ 969,000	\$1,003,000	\$ 942,000	\$970,000
For Profit Programs Support	\$ 689,000	\$ 776,000	\$ 799,000	\$ 828,000	\$ 855,000	\$881,000
Decommissioning Fund Augmentation and Debt Repayment	\$ 704,000	\$ 792,000	\$1,319,000	\$1,549,000	\$1,611,000	\$1,790,000
Total Uses	\$2,292,000	\$2,609,000	\$3,087,000	\$3,380,000	\$3,408,000	\$3,641,000
Percentage of Total Funding Dedicated to For Profit Programs	30%	30%	26%	24%	25%	24%
Percentage of Total Funding/revenue from Commercial Services	57%	63%	67%	67%	67%	68%

3. DECOMMISSIONING REPORT

Pursuant to 10 CFR 50.33(k) and 10 CFR 50.75(d), the following is a decommissioning report containing the following:

- 1) Cost estimate for facility decommissioning.
- 2) Indication of method used to provide funding assurance for decommissioning.
- 3) A means of periodically adjusting the cost estimate and associated funding level over the life of the facility.

3.1. Decommissioning Cost Estimate

3.1.1. UCD/MNRC Decommissioning Cost based on 2015 Dade Moeller Study

A study was conducted in 2015 for the University of California Davis by Dade Moeller and Associates. This study largely derived its cost estimate based on modifying individual line item costs of the University of Illinois Urbana-Champaign (UIUC) TRIGA reactor decommissioning. This was done as the UIUC reactor was one of the most recent TRIGA reactors of comparable maximum power rating to the UCD/MNRC reactor.

3.1.2. Comparison with Recent Representative Decommissioning Projects

Per NUREG 1537 Part 1 Guideline for Preparing and Reviewing Applications for the Licensing of Non-Power Reactors – Format and Content Section 15.3[3], as an additional basis for estimating the decommissioning costs of the UCD/MNRC Reactor, actual recent decommissioning costs from two representative reactor facilities are considered:

- 1) The Ford Reactor at the University of Michigan, decommissioning completed in 2015, at an actual cost of \$14.4 million. The 2 MW reactor structure and associated experimental facilities were decommissioned and removed, but the reactor building remained in place. The bulk of the deconstruction activity and low level radioactive waste shipments occurred in 2007.
- 2) The PULSTAR Reactor Facility at SUNY Buffalo, decommissioning completed in 2015, at an actual cost of \$14.1 million. The entire reactor facility, including the 2 MW reactor structure, containment building, and associated administrative building was decommissioned and removed. The bulk of the deconstruction activity and low level radioactive waste shipments occurred in 2014.

The two reactors referenced resided in states that were not members of a radioactive waste compact at the time the facilities were decommissioned. The low level radioactive waste from the deconstruction and decommissioning of these facilities was shipped to the LLW disposal facility in Clive, Utah. This would also be the case for the UCD/MNRC reactor, as the State of California is also not currently part of

a waste compact. Applying the methodology of NUREG-1307[2] and using the known costs of the two representative reactor facility decommissioning efforts as bases, cost estimates for decommissioning these facilities in 2018 dollars are given in Table 2 below.

Table 2 – Estimated 2018 Decommissioning costs for two representative research reactors

Reactor Facility	Primary Year of Deconstruction	Total Actual Cost	Labor Adjusted L_x	Energy Adjusted E_x	Waste Burial Adjusted R_x	Estimated 2016 Decommissioning Cost ¹	Corrected 2018 Decommissioning Cost ²
Ford Reactor	2007	\$14.4 M	1.192	0.796	1.317	\$16,800,000	\$17,460,000
Buffalo PULSTAR	2014	\$14.1 M	1.047	0.892	1.011	\$14,400,000	\$14,970,000

1: The estimated decommissioning cost is corrected from the primary year of deconstruction to 2016 based on the formulas of NUREG-1307 Section 3[1] and applying the labor, energy, and waste burial correction factors as given.

2: The Corrected 2017 Decommissioning Cost is calculated by applying an Organization for Economic Cooperation and Development (OECD) projected 2017 U.S. inflation factor of 1.9% and projected 2018 U.S. inflation factor 2.0%[5].

3.1.3. Discussion of Costs

Out of the two cases studied, the decommissioning of the Ford Reactor is considered the most representative relative to the MNRC reactor (even though it was not a TRIGA reactor) based on the following factors. It is important to note, the MNRC is a highly specialized facility that has no direct analog among other research reactors.

- 1) The MNRC staff adjusted the original cost estimate of the Dade Moeller study to increase the contingency factor (from 25% to 100%) of the direct costs associated with decommissioning the MNRC reactor and reactor building. This was done for several reasons. The Dade Moeller study based decommissioning estimates by scaling up the costs of decommissioning of the UIUC TRIGA reactor. While the core of the MNRC is similar to the UIUC reactor, the rest of the facility is substantially more complex than the UIUC reactor facility. The increased contingency factor places MNRC decommissioning cost estimates more in line with the Ford Reactor actual decommissioning costs. It is believed, this is the most appropriate recent comparison because the Ford reactor was a highly utilized 2 MW reactor with associated facilities more complex than typical “pedestal style” TRIGA reactors (like at UIUC).
- 2) The Ford reactor facility and the MNRC facility contain a large number of complex radioactive beamlines embedded in concrete. These embedded items require a large amount of resources to remove.
- 3) Much of the cost overrun at the Ford Reactor was a result of unanticipated radioactive contamination (from primary water) in the soil under the reactor. It is thought that no primary water from the MNRC reactor has leaked into the soil under the MNRC reactor.

- 4) Decommissioning of the MNRC will likely require the removal of more radioactive concrete than the Ford reactor (10,500 cubic feet). This additional cost is difficult to quantify as the extent of slightly activated concrete in the MNRC's massive neutron radiography bays is unknown at this time. This additional cost could offset the Ford reactor's cost overrun from the unexpected soil contamination.
- 5) Overall square footage of the facilities is nearly identical.
- 6) The decommissioning of the Ford Reactor at the University of Michigan did not include the removal of the reactor building. Significant additional costs were incurred given the logistics of deconstructing the reactor facility without removing the surrounding building. This cost will likely offset the cost of demolishing the very large amount of non-activated concrete (relative to the Ford reactor) at MNRC during reactor building demolition.

3.1.4. 2020 UCD/MNRC Reactor Decommissioning Estimate:

Given the discussion above, it is thought that the decommissioning cost (in 2020 dollars) for the UCD/MNRC TRIGA reactor would be bounded by the \$25.7 Million estimate given below.

Table 3 – Estimated 2020 Decommissioning costs for UCD/MNRC Reactor

	Original Uninflated Cost (estimate year)	Adjusted 2020 Decommissioning Cost
Decommissioning Costs	\$16,850,000 (2015)	\$20,489,000
University Staffing Cost	\$6,920,000 (2017)	\$5,200,000

The modified Dade Moeller estimate was determined to be \$16.85 million in 2015 dollars including project management costs. Applying the decommissioning cost escalation factors as given in the latest revision of NUREG 1307, the cost as of 1/1/2020 becomes \$20.49 million. This estimate assumes that the University of California Davis will utilize the DECON method of decommissioning, removing and disposing of all radioactive waste offsite.

Based on the decommissioning timeline of the Ford reactor (if no delays had been encountered), a minimum UCD/MNRC staffing cost estimate during decommissioning was made. This estimate includes essential utilities and services (e.g. phone, internet, climate control, etc.) required during the decommissioning process. The original staffing cost was calculated to be \$6.92 million in 2017 dollars. Based on an extensive reorganization at MNRC that will carry through during the decommissioning process the staffing cost estimate has actually been reduced to \$5.20 million. The total decommissioning cost is therefore expected to \$25.7 million.

Cost includes all building demolition on the 2.4 acre MNRC site, but not free release from the State of California as it is not known at this time if the University will retain the property or if the property would be transferred to the surrounding McClellan Business Park. Unlike other University research reactors, the MNRC was transferred from the Department of Defense (DoD) to the University. The cost

of remediation of the MNRC site from DoD operations (e.g. jet fuel, hexavalent chromium, etc.) is not included in the cost estimate as this clean up would be the responsibility of the United States.

3.2. Funding Method

Pursuant to 10 CFR 50.75(e)(1)(iv), the University of California Davis intends to use a Statement of Intent (SOI) as the method to provide decommissioning funding assurance. Please reference Attachment 2: Statement of Intent (SOI) regarding Decommissioning Funding for the MNRC Reactor Facility at the University of California Davis, dated May 25th 2018.

3.3. Adjustment of Decommissioning Cost Estimate

The 2020 Decommissioning cost estimate for the UCD/MNRC Reactor Facility is \$25.7 million as detailed in section 3.1.4 above. This estimate will be updated periodically as required using the methodology described in NUREG 1307[1] and detailed below:

From NUREG 1307 Section 3: Estimated Cost (Year X) = (2020 \$ Cost)*(AL_x + BE_x + CB_x)

Where: 2020 Cost = \$25.7 million

A = The labor fraction which is the percent or portion of the 2020 cost attributable to labor, materials, and services (0.65).

B = The energy fraction which is a percent or portion of the 2020 energy and radioactive waste transportation (0.13).

C = The burial fraction which is the percentage or fraction of 2020 cost attributable to radioactive waste burial/disposition (0.22).

L_x = The labor, materials, and services cost escalation from January 2020 to the latest month of Year X for which Producer Price Indexes (PPI) data are available.

E_x = The energy and waste transportation cost escalation from January 2020 to the latest month of Year X for which Consumer Price Indexes data are available.

B_x = The low-level waste (LLW) burial cost escalation from January 2020 to the last month of Year X for which data is available. As the State of California is not affiliated with a waste compact B_x will be selected accordingly and assuming "PWR" values.

L_x, E_x, and B_x will be calculated in accordance with the guidance given in NUREG-1307 as needed in order to estimate decommissioning costs beyond 2020.

4. REFERENCES

1. Report on Waste Burial Charges; Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities, NUREG-1307, REV. 15, U.S. Nuclear Regulatory Commission, January 2013; <https://www.nrc.gov/docs/ML1302/ML13023A030.pdf>
2. Guideline for Preparing and Reviewing Applications for the Licensing of Non-Power Reactors– Format and Content, NUREG 1537 Part 1, U.S. Nuclear Regulatory Commission, February 1996; <https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1537>
3. Organization for Economic Cooperation and Development (OECD) 2017 and 2018 U.S. Inflation; <https://data.oecd.org/price/inflation-forecast.htm>
4. 2016 Bureau of Labor Statistics Labor and Producer Price Index; <http://www.bls.gov/data/>



2018
ANNUAL FINANCIAL REPORT

UCDAVIS



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The UC Davis financial information included in this annual financial report presents the combined activities of the Davis campus, including the UC Davis Medical Center.

The University of California ("the University") system is subject to an annual audit of the consolidated financial statements which includes UC Davis. While the UC Davis financial data reported within has not been separately audited, this report is prepared from the official University of California records and accounts which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board ("GASB").

The UC Davis Foundation, also known as "the Foundation", is a separate nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The economic resources received or held by the Foundation are entirely for the benefit of the campus. Condensed financial information for the Foundation has been separately presented in this report.

This report is a condensed view of UC Davis financial information.¹

¹ For more information, please refer to the University of California's Annual Report, www.ucop.edu/financial-accounting/financial-reports/annual-financial-reports.html.

YEAR IN REVIEW AND LOOKING FORWARD



In efforts to support UC Davis enrollment growth, this year's State budget included funding and a base increase of three percent. Following the 2.5 percent tuition increase in 2017-18 (the first in seven years), the State provided one-time funding in lieu of raising tuition for 2018-19, supporting efforts to keep a University of California education affordable for California residents.

This year, the percentage of undergraduate national/international students increased to almost 17 percent. In 2018-19, we expect to reach 18 percent, the limit established by UC Board of Regents. The campus 2020 initiative, which began in 2012, was predicated on achieving a higher proportion of national/international students, up to 20 percent of undergraduates; however, this will not be possible.

32 classrooms, totaling approximately 2,000 classroom seats, received full renovation and an additional 20 classrooms have realized technology improvements. Work is currently underway to deliver full renovation in 12 additional classrooms.

UC Davis has always been dedicated to developing a rich campus in pursuit of student life, teaching, research, and energy conservation. The Design and Construction Management (DCM) department has led several capital projects throughout this past year with goals to improve campus through expansion and renovation. These capital projects are long-term investments in the university's future and reflect the UC Davis' strategic goals and objectives. To view a full list of projects, please visit: dcm.ucdavis.edu.

In order to address significant concerns about student housing capacity, the campus recently completed a long-range development plan with the City of Davis. Learn more at campustomorrow.ucdavis.edu.

Faculty growth is a critical element of our success. Since the beginning of the 2020 Initiative in 2012, we have hired over 555 new ladder faculty, including almost 130 net new hires above retirements and other separations. Our faculty diversity continues to increase. Over the past two years, about 40 percent of our hires were women and over a third were people of color. These new faculty hires will extend our scholarship into critical new areas and enable a transformative augmentation to the department, school, or college faculty they join. Over the coming years, net faculty hiring will slow to match the decline in enrollment growth.

The UC Davis Medical Center also experienced a year of growth. Patient volumes were relatively stable, however the complexity of the cases increased. Additionally, the Medical Center was successful in settling a decade-long lawsuit with a third party resulting in a note receivable for \$89.6 million. Cash collections from this outcome will be received over the next 15 years. Strategically, the Medical Center continues to focus on cost reductions, managing changes in revenue streams, and increasing the breadth of our affiliations to provide seamless transfers/repatriations to ensure access to our tertiary and quaternary services.

UC Davis continues to expand current revenue streams to be more resilient and less dependent on any one source, which has resulted in another year of strong investment returns across our portfolio. At the same time, the campus continues to be diligent in managing liabilities and addressing capital needs with a focus on long-term financial stability.

Critical investments to improve instructional space and technology have continued in 2018. The central campus is investing \$5 million annually through 2020-21 to substantially improve and replace technology in classrooms. In the first two years of this program,

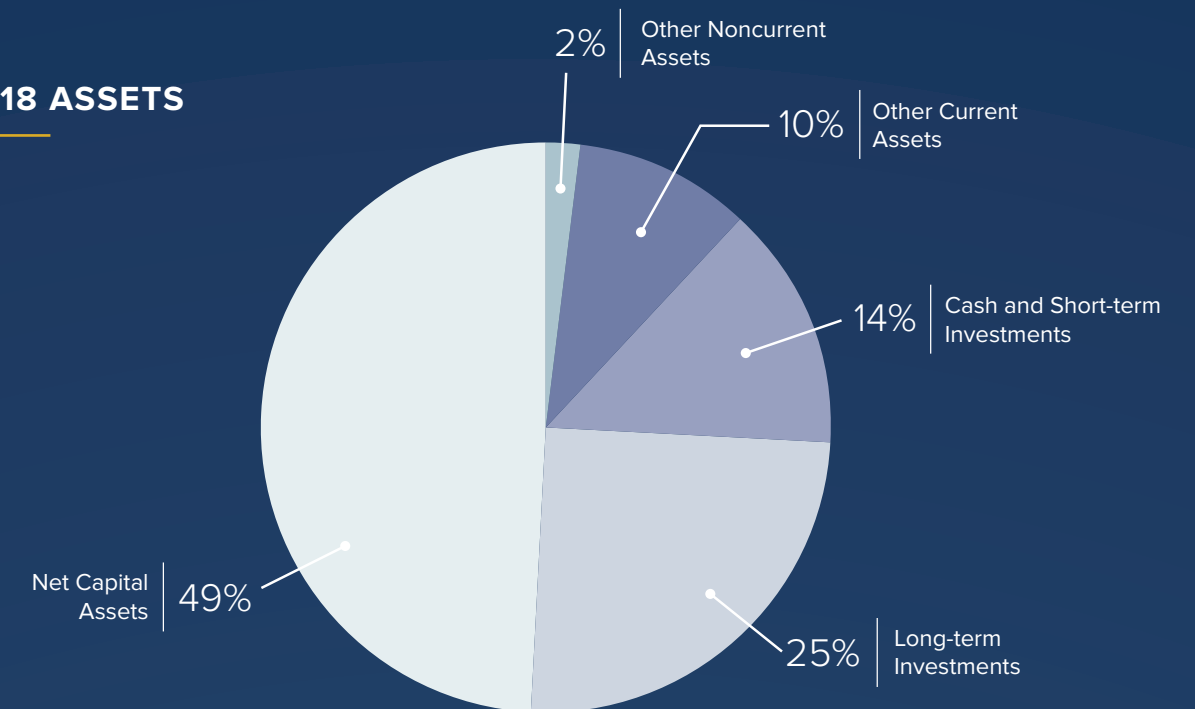
CONDENSED FINANCIAL STATEMENTS

Below are the abbreviated financial statements for the UC Davis as of and for the years ended June 30, 2018 and 2017:

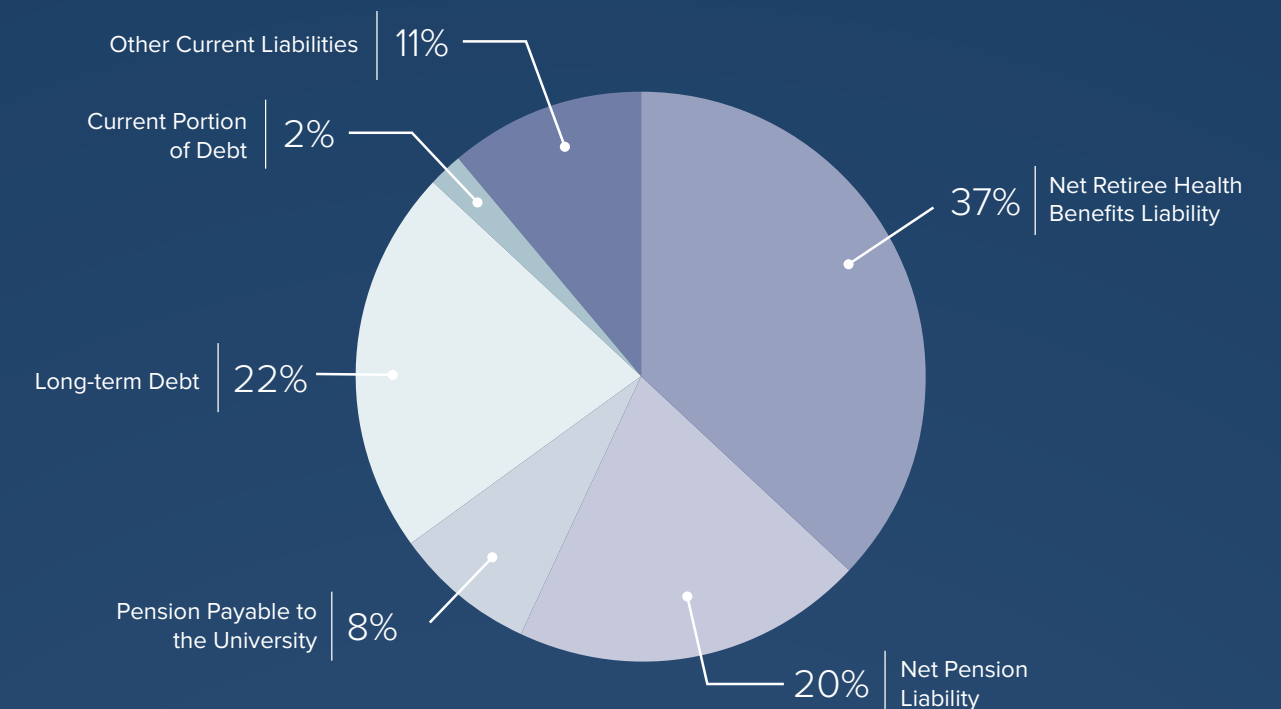
CONDENSED STATEMENTS OF NET POSITION

(in millions of dollars)	2018	Restated 2017
ASSETS		
Cash and investments	\$2,658	\$2,500
Accounts Receivable, net	544	517
Capital assets, net	3,354	3,298
Other assets	322	210
Total Assets	\$6,878	\$6,525
DEFERRED OUTFLOWS OF RESOURCES		
	\$727	\$841
LIABILITIES		
Debt, including commercial paper	\$1,825	\$1,767
Net pension liability	1,473	1,581
Net retiree health benefits liability	2,811	2,888
Other liabilities	1,609	1,455
Total Liabilities	\$7,718	\$7,691
DEFERRED INFLOWS OF RESOURCES		
	\$1,035	\$979
NET POSITION	\$(1,148)	\$(1,304)

2018 ASSETS



2018 LIABILITIES



CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(in millions of dollars)	2018	Restated 2017
REVENUES SUPPORTING CORE ACTIVITIES		
Student tuition and fees, net	\$663	\$595
State appropriations	397	432
Grants and contracts, net*	764	741
Medical center, net	2,222	2,147
Private gifts	77	85
Other revenue supporting core activities	778	689
Total Revenues Supporting Core Activities	\$4,901	\$4,689
EXPENSES		
Compensation expense	\$3,249	\$3,207
All other operating expense	1,509	1,470
Total Expenses	\$4,758	\$4,677
Income Before Other Changes in Net Position	\$143	\$12
Other income (expense)	\$(46)	\$59
Other changes in net position	59	54
INCREASE IN NET POSITION	\$156	\$125
NET POSITION, END OF YEAR	\$(1,148)	\$(1,304)

* Includes Pell Grant

CASH FLOW

(in millions of dollars)	2018	2017
Cash provided by (used in):		
Operating Activities	\$(259)	\$(301)
Noncapital Financing Activities	579	631
Capital and Related Financing Activities	(286)	(225)
Investing Activities	57	(1)
Net increase (decrease) in cash and cash equivalents	91	104
Cash and Cash Equivalents, End of Year	824	734





REVENUE OVERVIEW

Revenue supporting core activities are those revenues essential to the primary operations of UC Davis. Revenues increased \$211.7 million and \$340.8 million in 2018 and 2017, respectively. UC Davis relies on a very diverse set of funding resources to support the instructional mission of the campus, including student tuition and fees in conjunction with state educational appropriations and financial aid grants. Research grant and contract revenues enable the university's faculty, staff, and students to pursue and implement new ideas through innovation, creativity, and scholarship.

Income from private gifts and endowments provide financial aid to students in need, support capital projects, and support departments and faculty in new academic initiatives. Revenue from the medical center is generated by providing nationally recognized patient care in the Sacramento region. Educational activities revenue is primarily composed of professional fees generated by both the medical and veterinary schools. Auxiliary and other revenues include student housing, campus bookstore, parking, food services operations, and athletic events.

REVENUE SUPPORTING CORE ACTIVITIES

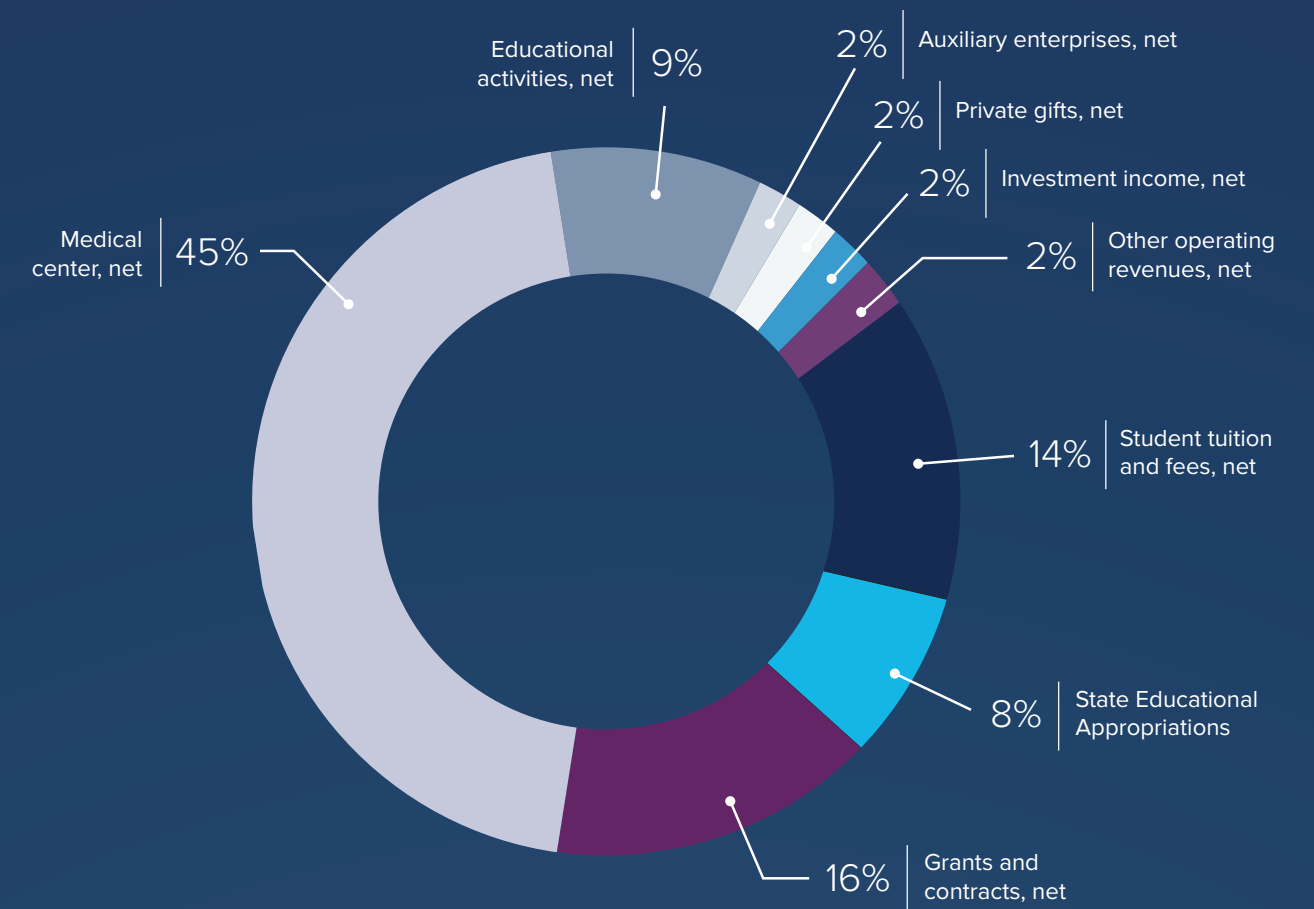
Revenues of UC Davis as of and for the years ending June 30 are as follows:

<i>(in thousands of dollars)</i>	2018	Restated 2017	Restated 2016
OPERATING REVENUE			
Medical center, net	\$2,221,696	\$2,147,321	\$1,935,274
Grants and contracts, net	710,050	688,526	692,859
Student tuition and fees, net	662,776	595,260	551,779
Educational activities, net	457,291	447,539	402,167
Auxiliary enterprises, net	114,957	96,246	96,290
Other operating revenues, net	87,004	77,965	71,429
Total Operating Revenue	\$4,253,774	\$4,052,857	\$3,749,798
NON-OPERATING REVENUE			
State educational appropriations	\$397,314	\$432,363	\$412,356
Private gifts, net	76,988	84,789	74,314
Federal Pell grants	54,019	52,098	51,621
Investment income, net	98,967	46,472	46,077
Other non-operating revenue	20,115	20,917	14,496
Total Non-operating Revenue	\$647,403	\$636,639	\$598,864
TOTAL REVENUES SUPPORTING CORE ACTIVITIES	\$4,901,177	\$4,689,496	\$4,348,662

SCHOLARSHIP ALLOWANCE

<i>(in millions of dollars)</i>	2018	2017	2016
Student tuition and fees	\$154	\$159	\$150
Auxiliary enterprises	29	27	24
Other operating revenues	2	1	2
TOTAL ALLOWANCES	\$185	\$187	\$176

2018 CORE REVENUE





CAMPUS REVENUE INSIGHT

Key revenue components for the Davis campus, including student tuition and fees, California state appropriations, and grants and contracts revenues are analyzed in more detail on the following pages.

TUITION AND FEES

Gross tuition and fee revenue grew \$63.2 million and \$51.9 million in fiscal year 2018 and fiscal year 2017, respectively due to an increase in student enrollment coupled with certain increases in tuition and fee rates. The UC Davis student population increased 2.7 percent from 2017 to 2018 and 3.6 percent from 2016 to 2017².

After a six-year freeze in California resident tuition rates, the University of California Board of Regents approved a 2.5 percent increase for the 2017-2018 school year, representing

an increase relative to inflation based on an agreement made with the governor in 2015.

Additionally, tuition rates for non-resident students increased by 5 percent in 2018 and 8 percent in 2017. Student fees increased by 3 percent in both 2018 and 2017. As is customary, approximately one-third of the additional revenue generated from the student service fee rate increase is used to provide financial aid for students with financial need.

² Based on the 3-quarter average. For more information, please see the 'Student Population Summary' dashboard on the AggieData website: www.aggiedata.ucdavis.edu.

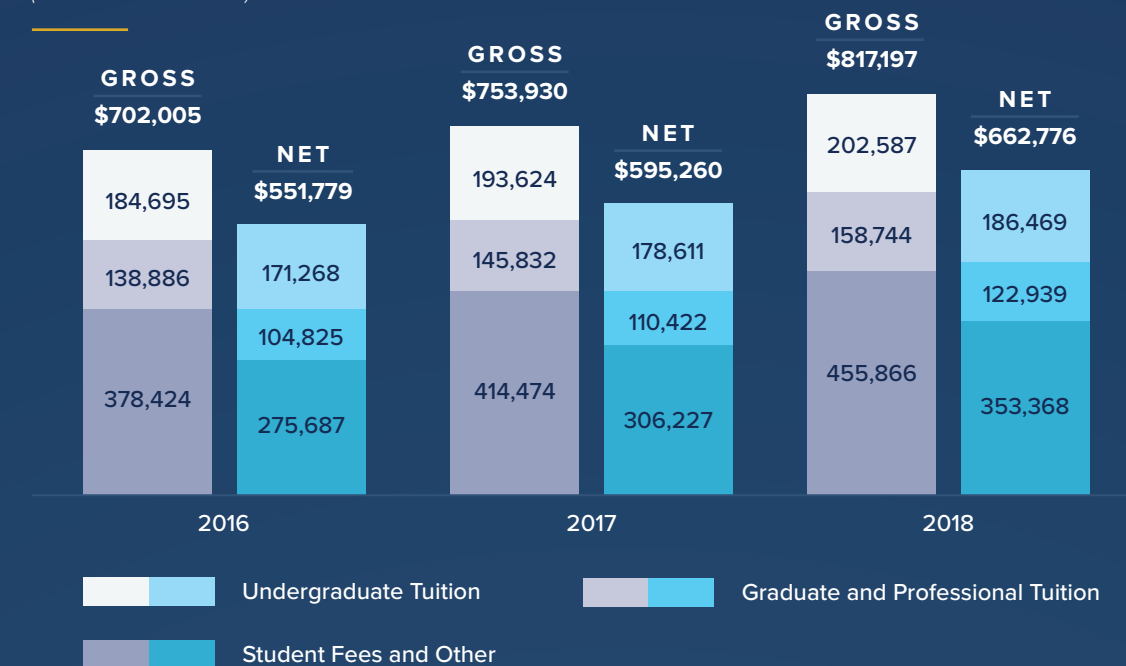
Undergraduate tuition revenue includes resident and non-resident mandatory tuition. Graduate and professional tuition revenue encompasses resident, supplemental tuition, and non-resident tuition for graduate academic and professional degrees.

Student fees and other revenue are composed of summer tuition revenue, student services fees, student health services fees, course material fees, application fees, and other minor fees.

Further information on student fees can be obtained on the UC Davis website.

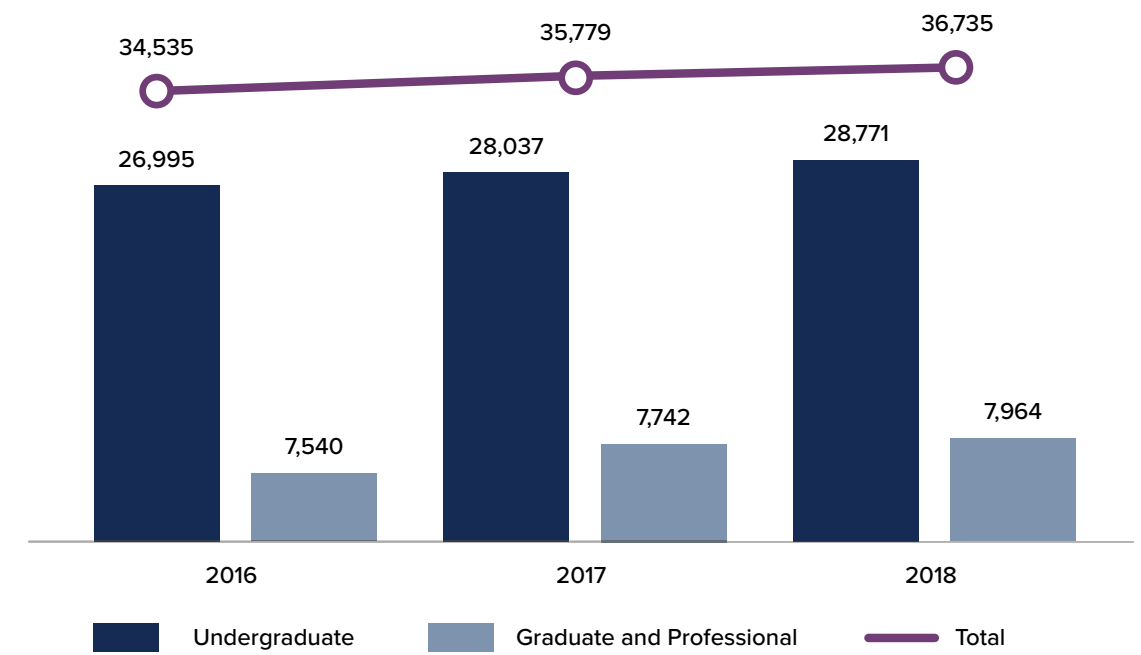
TUITION AND FEES REVENUE

(in thousands of dollars)





STUDENT ENROLLMENT BY 3 QUARTER AVERAGE





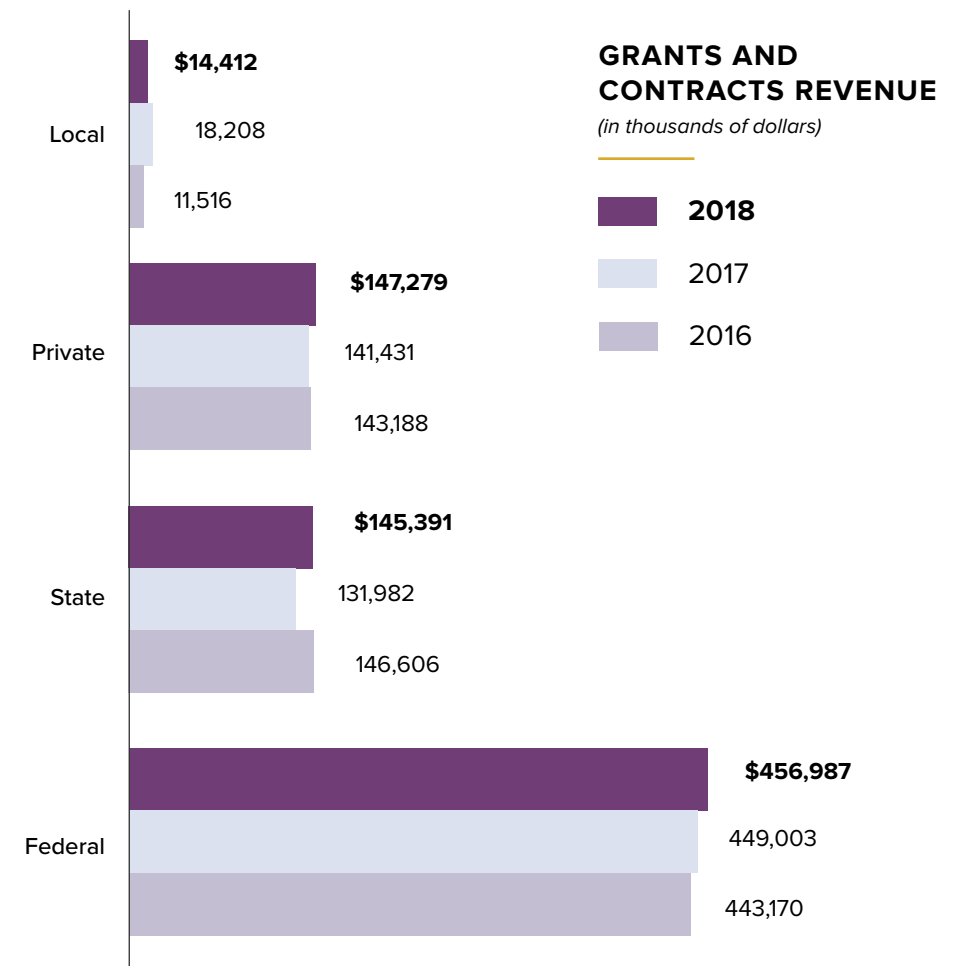
STATE OF CALIFORNIA EDUCATIONAL APPROPRIATIONS

Educational appropriations from the State of California were \$397 million in 2018, \$432 million in 2017, and \$412 million in 2016. Educational appropriations were \$35 million lower in 2018 compare to 2017 due to a change in accounting treatment of the University of California Office of the President's campus assessment fee. Prior to 2018, the assessment fee was issued through an expense transfer to each campus. Starting in 2018, the campus assessment fee was directly deducted from the educational appropriation allocation.

The University of California budget framework, agreed upon with the governor in 2015, called for 4 percent annual base budget adjustments through 2019 and no tuition rate increases for California resident students through 2018. In 2018, resident tuition rate would be raised by the inflation rate. Additionally, the framework recognized increases to professional degree supplemental tuition rates approved by The Regents in November 2014 for existing and new programs with no increase to the law school tuition through 2019.

GRANTS AND CONTRACTS

Revenue from federal, state, private, and local grants and contracts (including facilities and administration cost recoveries) totaled \$710* million in 2018, an increase of \$21 million from 2017. The increase was mainly driven by grants and contracts received from State of California agencies including support for Refugee Health Services funded by the California Department of Public Health and development and adaptation of potatoes for the Tulelake Basin region sponsored by the California Potato Research Advisory Board.



* Excludes Pell Grant

EXPENSES

Operating expenses of UC Davis as of and for the years ending June 30 are as follows:

<i>(in thousands of dollars)</i>	2018	Restated 2017	2016
Salaries and wages	\$2,329,957	\$2,193,578	\$2,045,962
Pension benefits	226,522	301,796	420,988
Retiree health benefits	194,109	239,773	289,405
Other employee benefits	498,437	472,202	450,761
Scholarships and fellowships	100,223	88,371	89,308
Utilities	36,684	37,731	35,334
Supplies and materials	524,905	473,984	457,921
Depreciation and amortization	242,642	230,530	220,563
Other operating expenses	604,519	639,029	628,415
TOTAL OPERATING EXPENSES	\$4,757,998	\$4,676,994	\$4,638,657

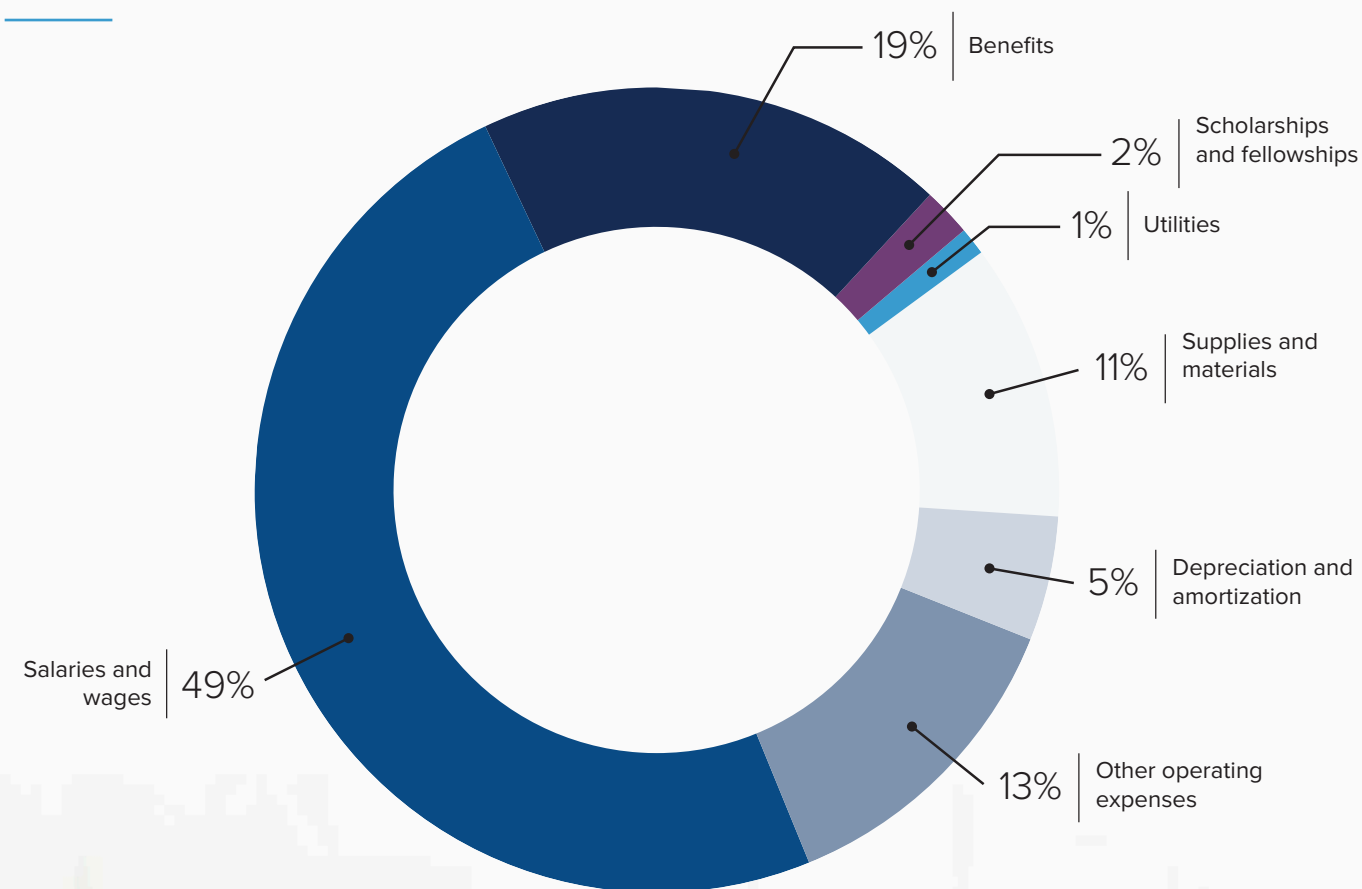
Operating expenses increased \$81 million in 2018 from \$4,677 million in 2017. The 2017 operating expenses were \$38 million higher than 2016. The growth in operating expenses has been consistent with revenue increases.

Compensation expense, which includes both salaries and benefits, accounted for the 51 percent of the increase from 2017 to 2018 due to both a 2.7 percent

increase in number of full-time equivalent employees (FTEs³) and 3.4 percent increase for average salary per FTE. Supplies and materials expenses were also a contributing factor to the growth in operating expenses from 2017 to 2018 as a result of increased medical supplies for the medical center due to patient growth and food and beverage supplies for campus dining facilities.

³ Per University of California's Corporate Personnel Data Warehouse. For more information, please see www.universityofcalifornia.edu/infocenter/employee-fte.

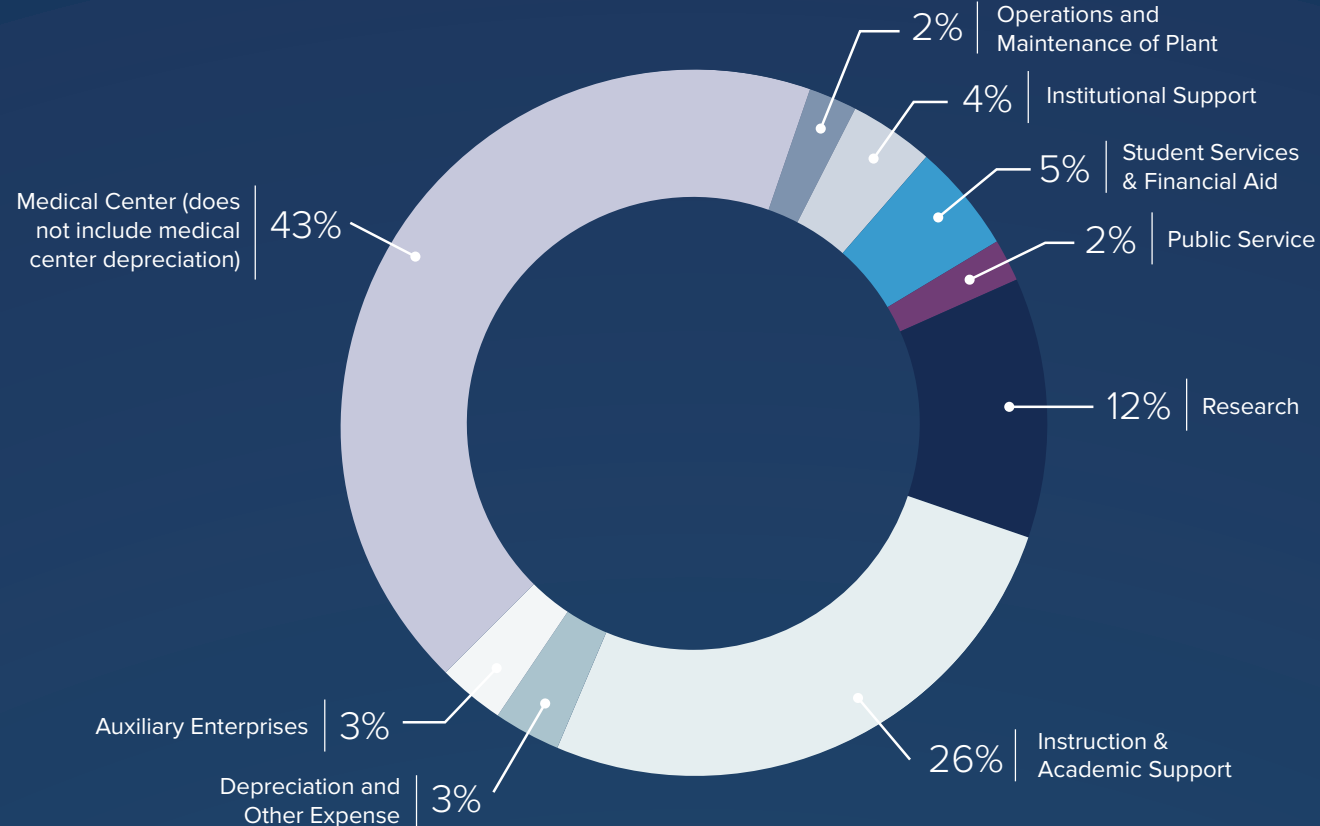
OPERATING EXPENSES





EXPENSES BY HIGHER EDUCATION FUNCTION CODE

Operating expenses by functional classification for the fiscal year ending 2018 are as follows:



<i>(in thousands of dollars)</i>	Salaries & Benefits	Scholarships & Fellowships	Utilities	Supplies & Materials	Depreciation & Amortization	Other Operating	TOTAL
Instruction & Academic Support	\$1,117,081	\$ -	\$1,078	\$39,606	\$ -	\$58,139	\$1,215,904
Research	388,273	-	385	42,074	-	157,553	588,285
Medical Center	1,271,865	-	10,420	370,786	76,331	304,075	2,033,477
Student Services & Financial Aid *	84,350	100,223	255	9,944	-	66,346	261,118
Auxiliary Enterprises	52,393	-	889	31,800	-	37,874	122,956
Public Service	61,815	-	286	8,214	-	23,202	93,517
Institutional Support	205,507	-	251	8,465	-	(42,018)	172,205
Operations & Maintenance	67,741	-	23,120	14,016	-	(652)	104,225
Depreciation & Other Expense	-	-	-	-	166,311	-	166,311
TOTAL	\$3,249,025	\$100,223	\$36,684	\$524,905	\$242,642	\$604,519	\$4,757,998

* Excludes scholarship allowance

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

UC Davis' assets and deferred outflows of resources as of June 30 are as follows:

<i>(in thousands of dollars)</i>	2018	Restated 2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	\$824,493	\$733,951	\$629,882
Short term investments	137,620	105,588	14,364
Investments held by trustees	1,677	1,668	1,663
Accounts receivable, net	543,763	517,399	495,618
Pledges receivable, net	1,667	1,328	2,635
Current portion of notes & mortgages receivable, net	23,653	10,393	10,233
Inventories	44,001	41,199	37,216
Other current assets	78,394	64,103	62,033
Total Current Assets	1,655,268	1,475,629	1,253,644
Noncurrent Assets			
Investments	1,689,642	1,655,219	1,576,096
Investments held by trustees	4,627	3,263	3,260
Pledges receivable, net	1,657	1,439	1,244
Notes and mortgages receivable, net	156,227	73,254	74,294
Capital assets, net	3,354,231	3,298,211	3,225,128
Other noncurrent assets	16,369	18,194	18,837
Total Noncurrent Assets	5,222,753	5,049,580	4,898,859
TOTAL ASSETS	\$6,878,021	\$6,525,209	\$6,152,503
DEFERRED OUTFLOWS OF RESOURCES			
Net pension liability	\$137,187	\$172,058	\$729,160
Net retiree health benefits liability	548,745	624,820	701,567
Debt refunding	40,764	44,284	50,388
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$726,696	\$841,162	\$1,481,115





CASH AND INVESTMENTS

Substantially all of UC Davis' cash and investments are centrally managed by the University's Chief Investment Officer.

STIP is the short-term investment pool and allows for UC Davis to maximize its returns on its short-term cash balances. Cash to provide for payroll, construction expenditures and other operating expenses is invested in STIP.

TRIP is the total return investment pool and allows UC Davis the opportunity to maximize the return on its long-term working capital. TRIP is a diversified portfolio of equity, fixed income and alternative investments.

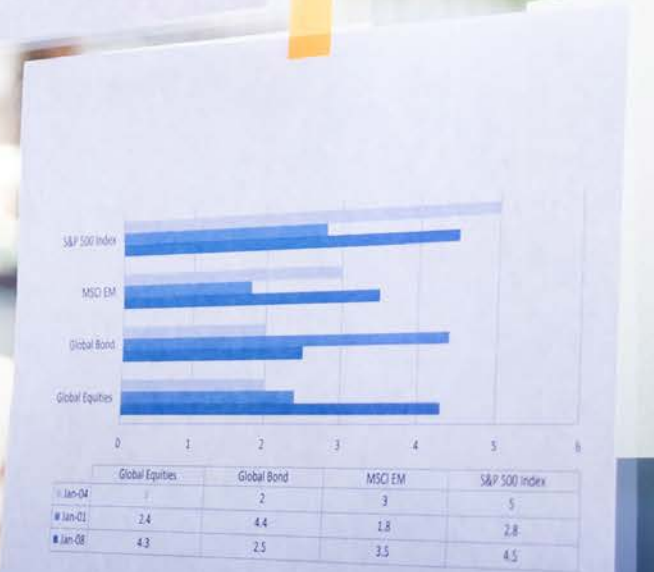
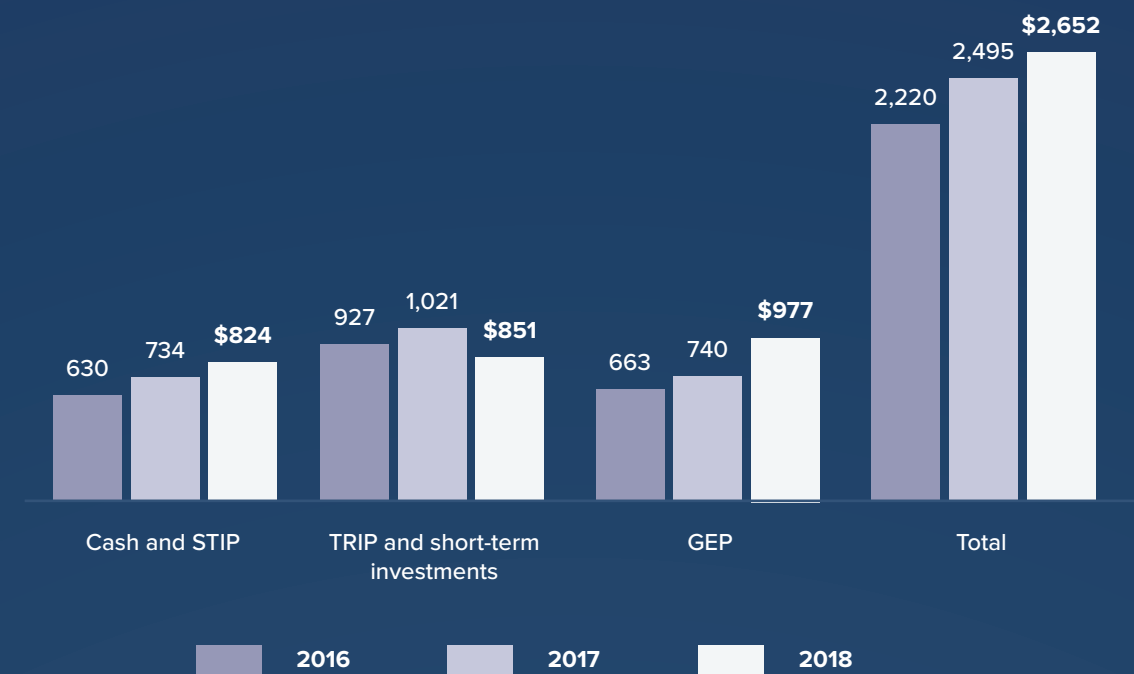
GEP is the general endowment pool, a balanced investment portfolio and the primary investment vehicle for endowed gift funds.



CASH AND INVESTMENT BALANCES

at end of year (in millions of dollars)

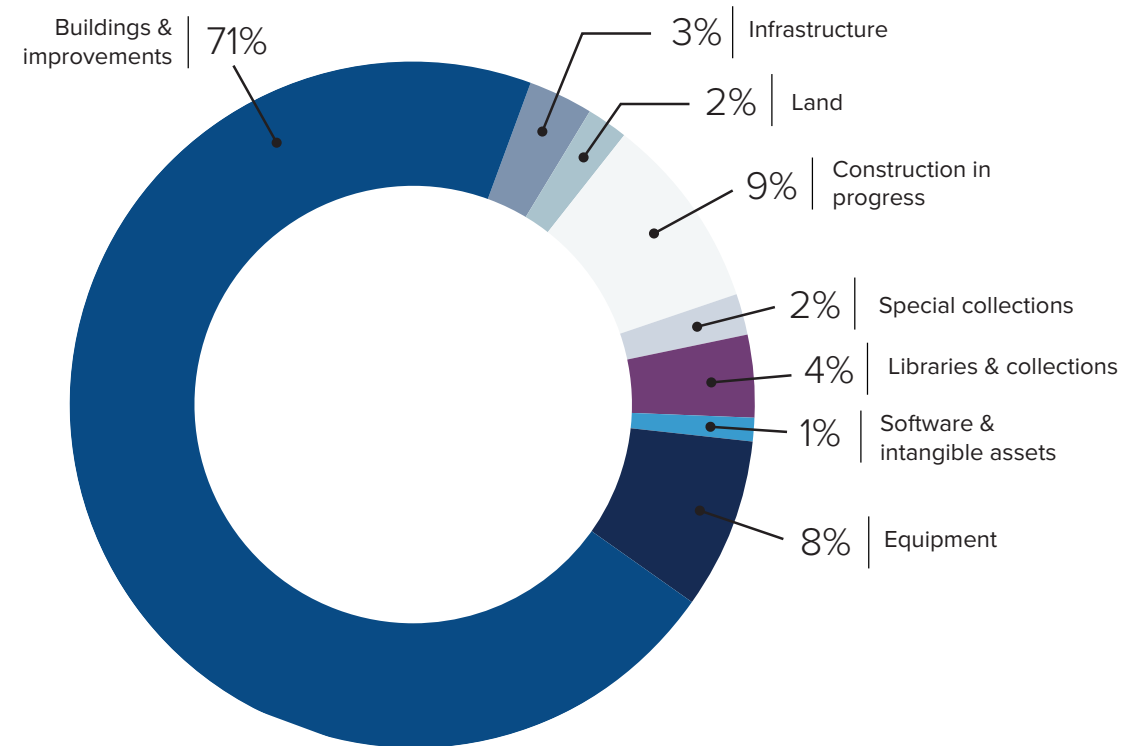
Below is a summary of cash investment balances by investment type as of June 30:



CAPITAL ASSETS

UC Davis' capital asset activity and balances for the fiscal years ended June 30, 2018 and 2017 is as follows:

FY2018 CAPITAL ASSETS, NET



CAPITAL ASSETS ACTIVITY

(in thousands of dollars)	2017	Additions	Depreciation & Amortization	Disposals	TOTAL
Land	\$61,321	\$ -	\$ -	\$ -	\$61,321
Infrastructure	112,671	4,037	(7,625)	-	109,083
Buildings & improvements	2,461,816	55,246	(135,733)	(9,736)	2,371,593
Equipment	277,282	84,720	(74,188)	(6,270)	281,544
Software & intangible assets	29,187	34,564	(10,467)	(1,629)	51,655
Libraries & collections	121,207	13,718	(14,629)	(86)	120,210
Special collections	56,968	2,101	-	(73)	58,996
Construction in progress	177,759	122,070	-	-	299,829
TOTAL CAPITAL ASSETS, NET	\$3,298,211	\$316,456	\$(242,642)	\$(17,794)	\$3,354,231

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

The following table provides a breakdown of UC Davis' liabilities and deferred inflows of resources:

(in thousands of dollars)	2018	Restated 2017	2016
LIABILITIES			
Current Liabilities			
Accounts payable	\$167,909	\$167,905	\$164,646
Accrued salaries and benefits	145,313	117,893	185,287
Unearned revenue	186,839	152,480	131,605
Commercial paper	15,112	72,507	43,876
Current portion of long-term debt	159,650	155,895	156,843
Other current liabilities	293,303	248,294	271,816
Total Current Liabilities	968,126	914,974	954,073
Noncurrent Liabilities			
Federal refundable loans	62,024	59,902	58,086
Long-term debt	1,650,118	1,538,305	1,441,361
Net pension liability	1,472,814	1,581,020	2,128,418
Pension payable to the University	611,268	566,321	503,269
Net retiree health benefits liability	2,810,538	2,887,576	3,280,085
Other noncurrent liabilities	143,751	142,994	137,935
Total Noncurrent Liabilities	6,750,513	6,776,118	7,549,154
TOTAL LIABILITIES	\$7,718,639	\$7,691,092	\$8,503,227
DEFERRED INFLOWS OF RESOURCES			
Service concession arrangements	\$49,055	\$50,293	\$51,532
Net pension liability	78,703	150,169	221,542
Net retiree health benefits liability	906,818	778,964	287,766
TOTAL DEFERRED INFLOWS OF RESOURCES	\$1,034,576	\$979,426	\$560,840

DEBT

The University directly finances the construction, renovation, and acquisition of facilities and equipment, or for other purposes through the issuance of debt obligations, or indirectly, through structures that involve legally separate entities reported as blended component units. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings.

UC Davis' portion of the University of California's outstanding debt at June 30 is as follows:

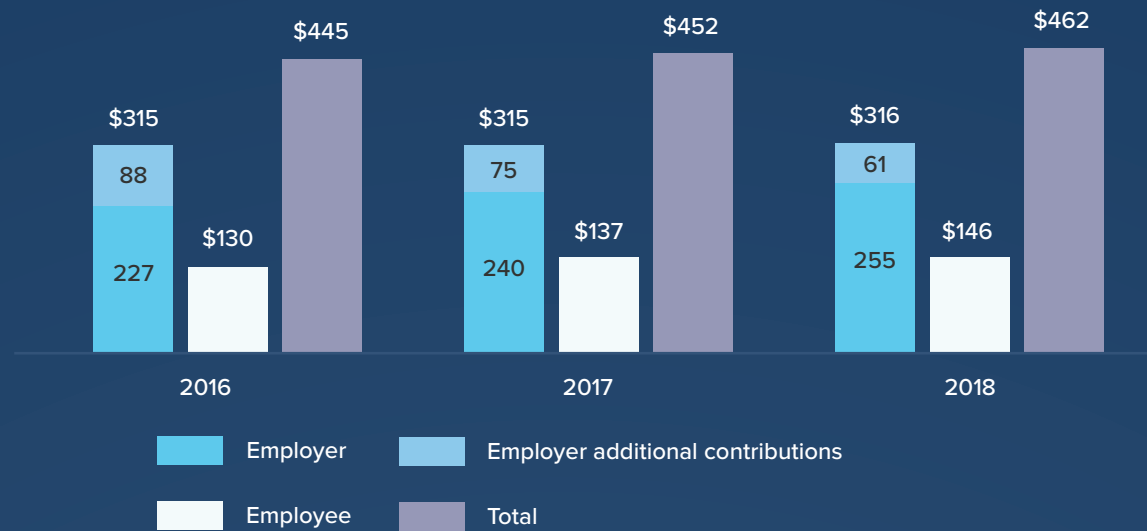
<i>(in thousands of dollars)</i>	Interest Rate Range	Maturity Years	2018
General Revenue Bonds			
Fixed Rate	1.0 - 7.6%	Through 2115	\$928,581
Variable Rate	0.9 - 1.1%	Through 2048	88,603
Medical Center Pool Revenue Bonds	0.9 - 5.3%	Through 2047	319,685
Limited Project Revenue Bonds	1.0 - 6.3%	Through 2048	318,139
Unamortized bond premium			147,666
REVENUE BONDS			1,802,674
Mortgages and other borrowings	Various	Through 2019	4,714
Capital Lease Obligations	1.3 - 2.94%	Through 2026	2,380
TOTAL DEBT OBLIGATIONS			1,809,768
Less: Amounts due within one year			(159,650)
NONCURRENT PORTION OF DEBT			\$1,650,118

RETIREMENT PLAN

All full-time employees of UC Davis participate in the University of California Retirement System (UCRS) that is centrally administered by the University of California. The UCRS consists of UCRP, a single-employer defined benefit pension plan, and the University of California Retirement Savings Program (UCRSP) that includes four defined contribution plans with several investment portfolios generally funded with employee non-elective and elective contributions. The Regents have the authority to establish and amend the benefit plans. Additional information on the retirement plans can be obtained from the 2017-2018 annual reports of the University of California Retirement System.

CONTRIBUTIONS TO UCRP

(in millions of dollars)



ACTUARIAL ASSUMPTIONS

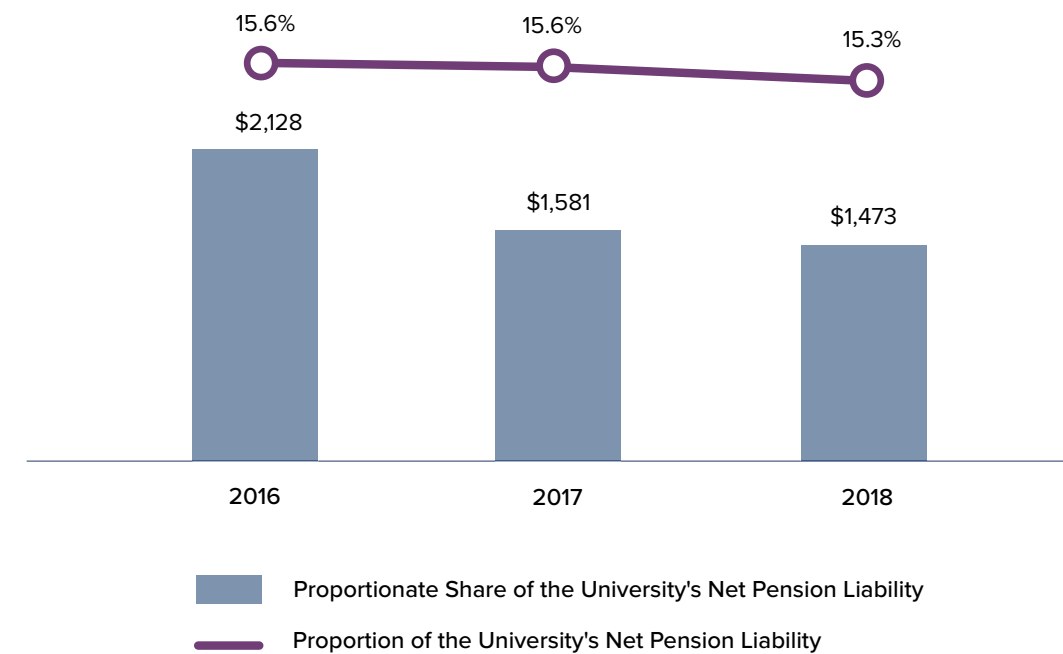
(in percentages)	2018
Inflation	3.0
Investment rate of return	7.25
Discount rate	7.25
Project salary increase	3.8 - 6.2
Cost-of-living adjustments	2.0

SENSITIVITY OF NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION

(n thousands of dollars)	2018
1% Decrease (6.25%)	\$2,821,421
Current Discount (7.25%)	1,472,814
1% Increase (8.25%)	347,416

NET PENSION LIABILITY

(in millions of dollars)

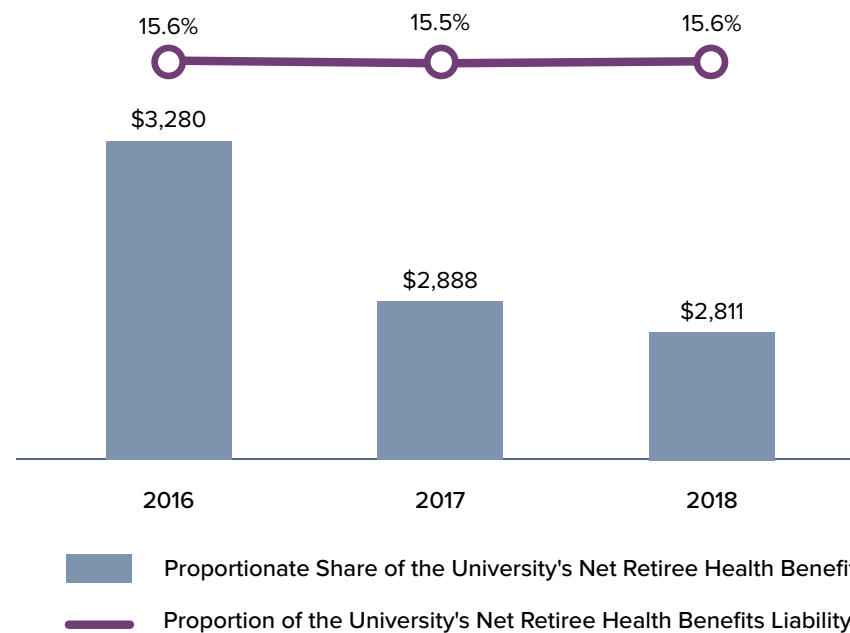


RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental, and vision benefits, to eligible retirees and their eligible family members (“retirees”) of the University of California and its affiliates. The Regents have the authority to establish and amend benefit plans.

NET RETIREE HEALTH BENEFITS LIABILITY

(in millions of dollars)



ACTUARIAL ASSUMPTIONS

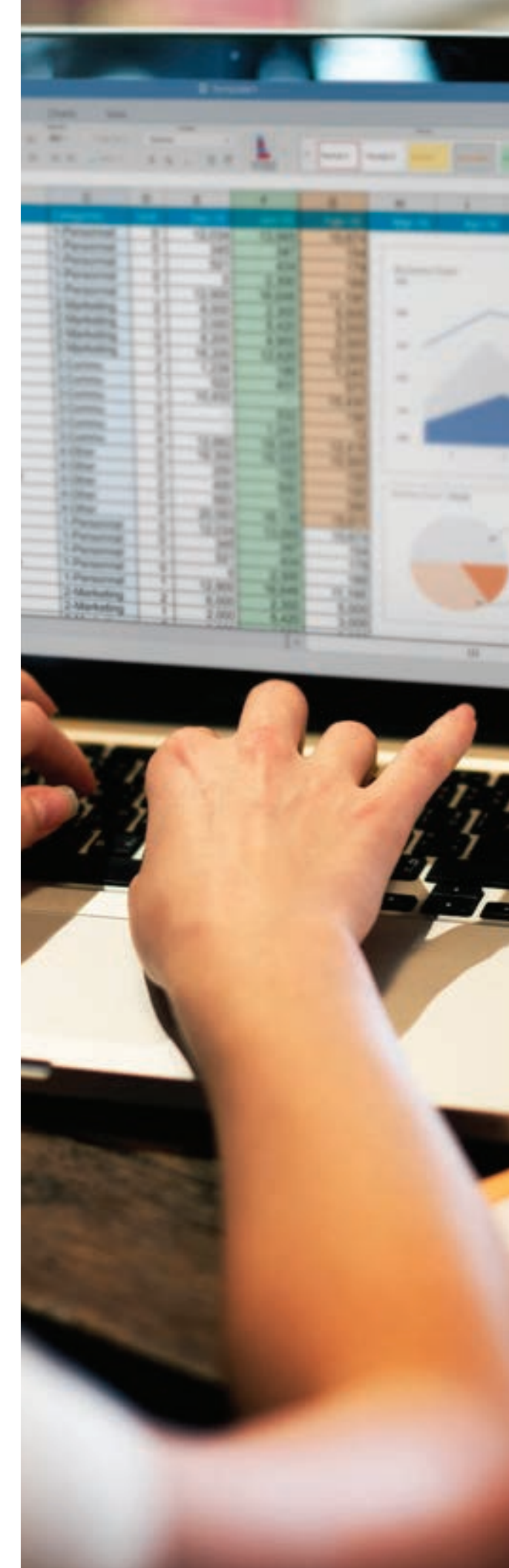
(in percentages)	2018
Discount rate	3.87
Inflation	3.0
Investment rate of return	3.0
Health care cost trend rates	Initially ranges from 5.0 to 9.5 decreasing to an ultimate rate of 5.0 to 2032 and later

SENSITIVITY OF NET RETIREE HEALTH LIABILITY TO HEALTH CARE COST TREND RATE

(in thousands of dollars)	2018
1% decrease (4.0 to 8.3% decreasing to 4.0%)	\$2,406,259
1% decrease (5.0 to 9.3% decreasing to 5.0%)	2,810,538
1% decrease (6.0 to 10.3% decreasing to 6.0%)	3,337,960

SENSITIVITY OF NET RETIREE HEALTH LIABILITY TO THE DISCOUNT RATE ASSUMPTION

(in thousands of dollars)	2018
1% decrease (2.87%)	\$3,355,249
Current discount rate (3.87%)	2,810,538
1% increase (4.87%)	2,414,121



NET POSITION

The following table provides the values of the components that comprise UC Davis' net position as of June 30, 2018, 2017, and 2016:

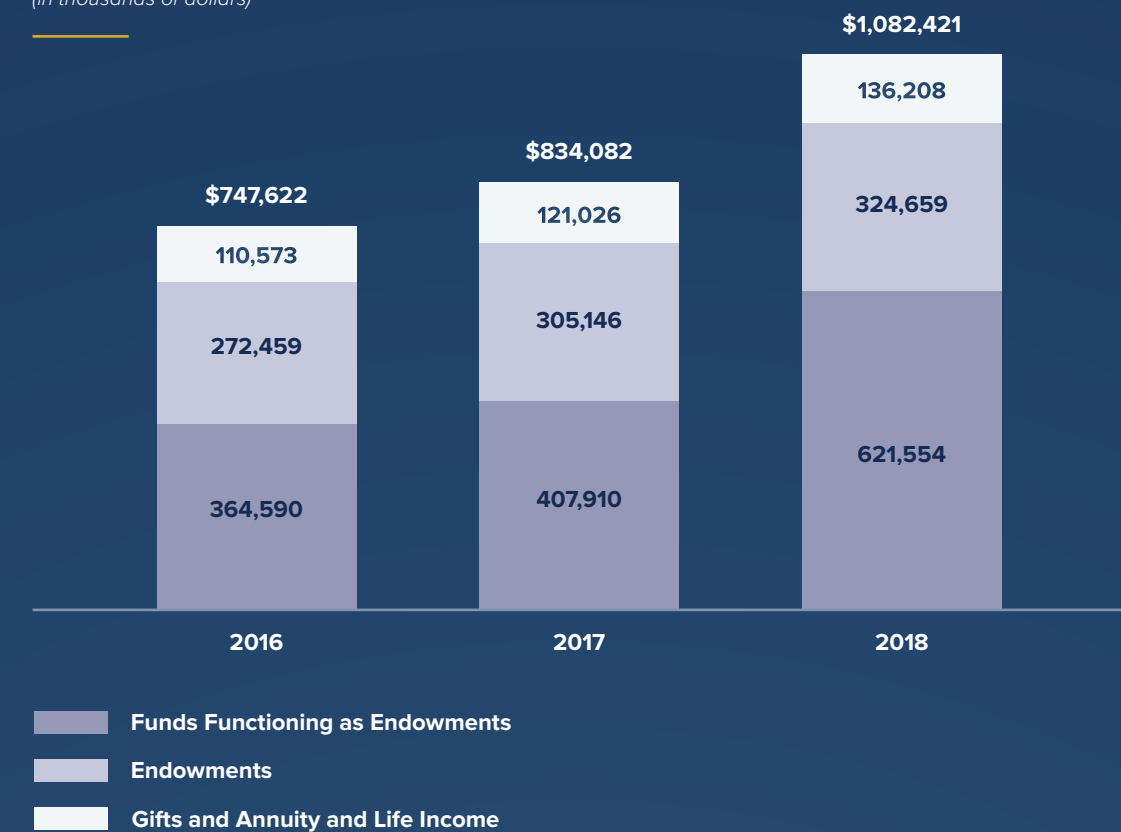
<i>(in thousands of dollars)</i>	2018	Restated 2017	2016
NET INVESTMENT IN CAPITAL ASSETS	\$1,615,898	\$1,663,155	\$1,640,537
RESTRICTED:			
Nonexpendable endowment funds:			
Endowments	121,600	119,110	116,695
Annuity and life income	3,358	2,102	2,228
Total Nonexpendable	124,958	121,212	118,923
Expendable endowment funds:			
Endowments	203,059	186,036	155,764
Funds functioning as endowments	259,837	246,521	221,139
Annuity and life income	1,269	1,161	1,032
Gifts	128,898	115,984	105,393
Total Expendable Endowment Funds	593,063	549,702	483,328
Other expendable including loans, capital projects, endowment income, debt service and appropriations	234,408	180,216	186,590
UNRESTRICTED:			
Endowment funds:			
Funds functioning as endowments	361,717	161,389	143,451
Gifts	2,683	1,779	1,920
Total Endowment Funds	364,400	163,168	145,371
Other unrestricted	(4,081,225)	(3,981,600)	(4,005,198)
Total Unrestricted	(3,716,825)	(3,818,432)	(3,859,827)
TOTAL NET POSITION	\$(1,148,498)	\$(1,304,147)	\$(1,430,449)

ENDOWMENT FUNDS

Endowment funds are held and administered by the University. The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of annual income distribution

provided by investment income may vary from year-to-year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. The proportion of investment returns earned on endowments held by the University and distributed each year to support current operations of UC Davis is based upon a rate of 4.75 percent (stated in dollars per share).

(in thousands of dollars)



UC DAVIS MEDICAL CENTER

UC Davis Medical Center is the principal clinical teaching site for the University of California, Davis, School of Medicine and the Betty Irene Moore School of Nursing at UC Davis, and it is the clinical core of the UC Davis Health system.

Licensed as a 625-bed general acute care hospital with more than 30 operating rooms, the Davis Medical Center provides a full range of inpatient general acute and intensive care, and a full complement of ancillary, support and ambulatory services.

These services are housed in about 4.9 million gross square feet of facilities, most of which are located on an approximately 144-acre campus in the city of Sacramento. Ambulatory care is provided at the hospital-based clinics and at satellite clinics in Sacramento and in the surrounding communities of Auburn, Carmichael, Davis, Elk Grove, Folsom, Natomas, Rancho Cordova, Rocklin and Roseville.



CONDENSED STATEMENTS OF NET POSITION

<i>(in millions of dollars)</i>	2018	2017
Assets		
Cash	\$741	\$628
Patient and other accounts receivable	270	265
Capital assets	1,080	1,030
Other assets	280	211
Total Assets	\$2,371	\$2,134
Deferred Outflow of Resources	\$331	\$363
Liabilities		
Debt, capital leases, and financing obligations	\$363	\$385
Net retiree health benefits liability	1,216	1,228
Pension obligations	644	675
Pension payable to the University	267	242
Other liabilities	388	307
Total Liabilities	\$2,878	\$2,837
Deferred Inflow of Resources	388	369
NET POSITION	\$(564)	\$(709)

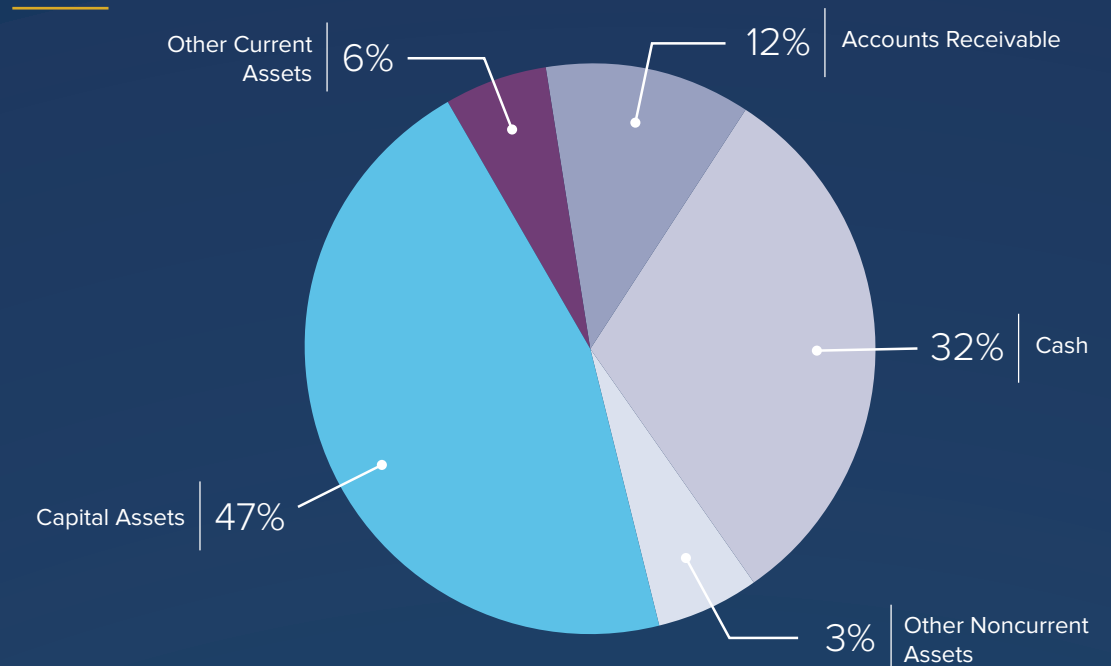
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

<i>(in millions of dollars)</i>	2018	2017
Operating revenues	\$2,222	\$2,147
Operating expenses		
Compensation expense	1,270	1,251
All other operating expense	775	732
Total operating expense	2,045	1,983
Operating income	176	164
Health system support	(30)	(28)
Interest expense	(7)	(9)
Other nonoperating income (expenses)	23	18
Other changes in net position	(16)	(1)
Increase in net position	145	144

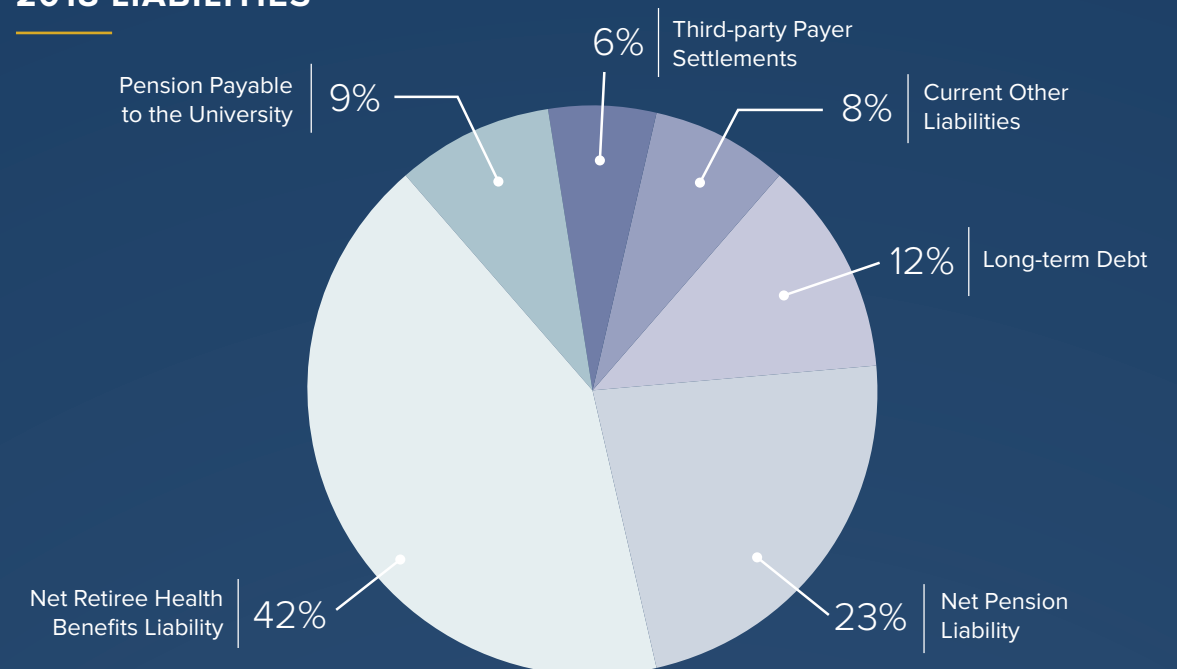
UC DAVIS MEDICAL CENTER METRICS

	2018	2017
Licensed beds	625	627
Admissions	34,763	34,564
Average daily census	535	536
Discharges	34,811	34,565
Average length of stay	5.6	5.6
Patient days	195,370	195,678
Case mix index	1.91	1.87
Outpatient visits	967,695	1,007,787

2018 ASSETS



2018 LIABILITIES





UC DAVIS FOUNDATION

UC Davis Foundation was established in 1959 to raise funds to benefit UC Davis.

Under university policies approved by the regents, each campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach, and other support for the mission of the university. Although an independent board governs the UC Davis Foundation, its assets are dedicated for the benefit of campus.

During the fiscal years ending 2018 and 2017, UC Davis Foundation transferred \$35.6 million and \$40.1 million respectively to the campus.

Condensed financial statement information related to UC Davis Foundation for the year ended June 30, 2018 and 2017.

CONDENSED STATEMENT OF NET POSITION

<i>(in thousands of dollars)</i>	2018	2017
Assets		
Cash and cash equivalents	\$21,568	\$14,761
Investments	456,911	412,092
Pledges receivable, net	24,299	36,268
Total Assets	\$502,778	\$463,121
Liabilities		
Funds held for others	\$757	\$720
Obligations under life income agreements	5,969	5,323
Other noncurrent liabilities	407	384
Total Liabilities	\$7,133	\$6,427
Net position		
RESTRICTED:		
Nonexpendable endowments and gifts	\$260,849	\$240,957
Expendable endowments and gifts	224,108	204,850
Total Restricted	484,957	445,807
UNRESTRICTED:		
Total Unrestricted	1,866	2,115
TOTAL NET POSITION	\$486,823	\$447,922

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

<i>(in thousands of dollars)</i>	2018	2017
Operating revenues	\$19,101	\$38,332
Operating expense	35,873	40,312
Operating Income (Loss)	(16,772)	(1,980)
Nonoperating Revenues (Expenses)		
Investment income, net	2,871	2,551
Net appreciation (depreciation) in fair value of investments	32,868	43,131
Net nonoperating revenues (expenses)	35,739	45,682
Income (Loss) Before Other Changes in Net Position	18,967	43,702
Other changes in net position		
Permanent endowments	19,934	27,125
INCREASE IN NET POSITION	\$38,901	\$70,827





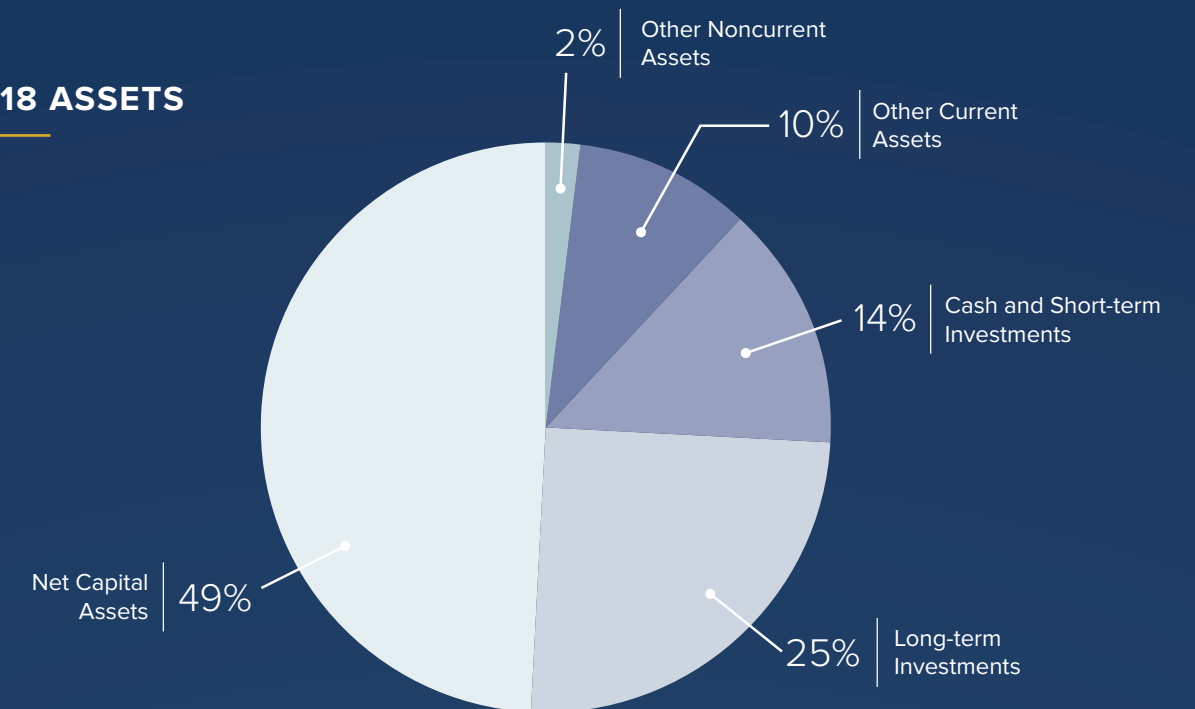
CONDENSED FINANCIAL STATEMENTS

Below are the abbreviated financial statements for the UC Davis as of and for the years ended June 30, 2018 and 2017:

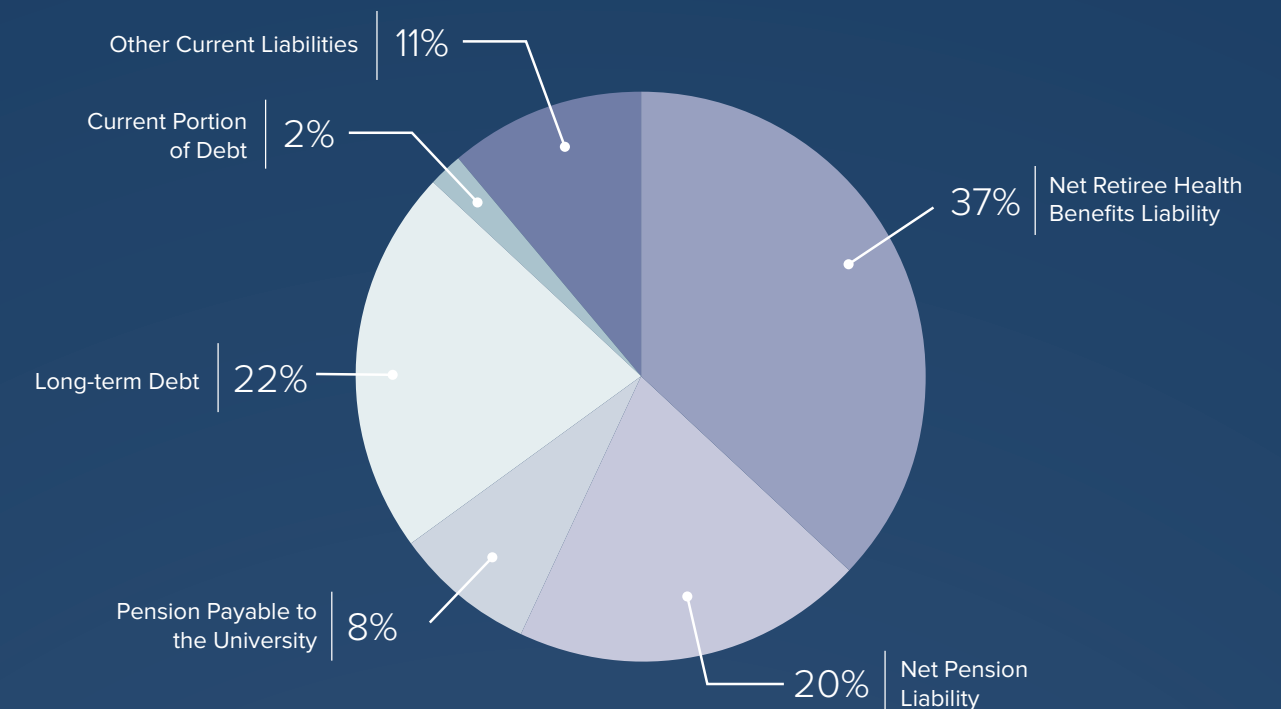
CONDENSED STATEMENTS OF NET POSITION

(in millions of dollars)	2018	Restated 2017
ASSETS		
Cash and investments	\$2,658	\$2,500
Accounts Receivable, net	544	517
Capital assets, net	3,354	3,298
Other assets	322	210
Total Assets	\$6,878	\$6,525
DEFERRED OUTFLOWS OF RESOURCES	\$727	\$841
LIABILITIES		
Debt, including commercial paper	\$1,825	\$1,767
Net pension liability	1,473	1,581
Net retiree health benefits liability	2,811	2,888
Other liabilities	1,609	1,455
Total Liabilities	\$7,718	\$7,691
DEFERRED INFLOWS OF RESOURCES	\$1,035	\$979
NET POSITION	\$(1,148)	\$(1,304)

2018 ASSETS



2018 LIABILITIES



Attachment 2 Statement of Intent (SOI) Regarding Decommissioning Funding for
the UC Davis McClellan Nuclear Research Center and 1.0 MW TRIGA Reactor



KELLY M. RATLIFF
Vice Chancellor

FINANCE, OPERATIONS AND ADMINISTRATION
ONE SHIELDS AVENUE
DAVIS, CALIFORNIA 95616-8558
TELEPHONE: (530) 752-4964

May 25, 2018

U.S. Nuclear Regulatory Commission
Document Control Desk
Washington, DC 20555

**RE: UC Davis McClellan Nuclear Research Center, License No. R-130 Docket No. 50-607
University of California, Davis
Financial Assurance Statement of Intent**

As the Vice Chancellor of Finance, Operations, and Administration I have wide ranging authority and responsibility for campus operations and the allocation of resources. The University of California, Davis intends to operate its TRIGA reactor, located at the McClellan Nuclear Research Center, for the foreseeable future. The UC Davis McClellan Nuclear Research Center is a non-power reactor operated by The Regents of the University of California, a State of California government entity established by Article IX, Section IX of the California State Constitution, which reads in part:

"a) The University of California shall constitute a public trust, to be administered by the existing corporation known as "The Regents of the University of California," with full powers of organization and government, subject only to such legislative control as may be necessary to insure the security of its funds and compliance with the terms of the endowments of the university and such competitive bidding procedures as may be made applicable to the university by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods, and services."

Based on a recent similar example at the University of Michigan, decommissioning costs of the reactor are currently estimated to be \$24.9 million. A decommissioning fund is held in escrow and is approximately the same value as the estimated decommissioning cost. Any shortfall in decommissioning funds at the time of decommissioning are well within the University's financial ability to respond to as indicated under 10 CFR 50.75(e)(2)(iv). The University will make such funds (amount to be appropriately updated over time) available for decommissioning when necessary. The undersigned has been delegated authority to make this commitment and approved this Statement of Intent under Delegation of Authority 0131 and is therefore authorized by the Chancellor to make this commitment.

A handwritten signature in black ink, appearing to read "K Ratliff".

Kelly Ratliff
Vice Chancellor
Finance, Operations, and Administration

/MCH

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

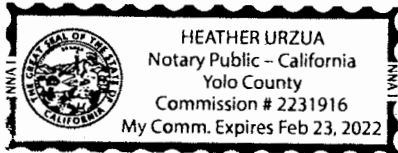
CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Yolo

On 5/25/18 before me, Heather Urzua, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared Kelly Marie Ratliff
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Heather Urzua
Signature of Notary Public

Place Notary Seal and/or Stamp Above

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document UC Davis mme
Title or Type of Document: Financial Assurance Statement of Intent
Document Date: May 25th, 2018 Number of Pages: 1
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____ Signer's Name: _____
 Corporate Officer – Title(s): _____ Corporate Officer – Title(s): _____
 Partner – Limited General Partner – Limited General
 Individual Attorney in Fact Individual Attorney in Fact
 Trustee Guardian of Conservator Trustee Guardian of Conservator
 Other: _____ Other: _____
Signer is Representing: _____ Signer is Representing: _____

Attachment 3 Delegations of Authority

**Official UC Davis Delegation of Authority
Offices of the Chancellor and Provost**

****Retain this delegation for your records****

Delegation of Authority—Licenses for Radioactive Materials (DA 0131)

Vice Chancellor—Finance, Operations, and Administration

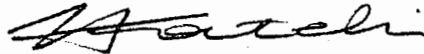
Source of Delegation: President Kerr's delegation dated 11/23/66 (DA 0131)

Effective Date of Delegation: 7/1/14

Supersedes: Chancellor Meyer's redelegation to Vice Chancellor—Business and Finance dated 7/2/86 and all subsequent redelegations (DA 0131)

The position of Vice Chancellor—Finance, Operations, and Administration is responsibility for nuclear reactor construction and operating licenses, AEC licenses for out-of-state operations, and any other licenses for radioactive materials and related activities within the parameters of the delegation from President Kerr.

Any redelegation of this authority must be in writing with copies to the individuals listed below.



Linda P.B. Katehi
Chancellor

Attachment: DA 0131 from President Kerr

c: Campus Policy Coordinator
Unit Policy Coordinator

DA 0131

November 23, 1966

CHANCELLORS:

Re: Licenses for Radioactive Materials

Authority and responsibility for licenses for radioactive materials and related activities have been undergoing gradual decentralization. Effective immediately, responsibility for nuclear reactor construction and operating licenses, for AEC¹ licenses for out-of-state operations and for any other licenses for radioactive materials and related activities is delegated to the Chancellors.

Clark Kerr

cc: University-wide Administrative Officer.

¹Now DOE.