

Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:

ACTION ITEM

*For Meeting of September 16, 2008*

**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**

**EXECUTIVE SUMMARY**

Proposed Actions: (1) Notice of proposed temporary amendment of relevant Standing Orders and Regental Policy; and  
(2) Approval of guidelines to implement the redesigned process for capital improvement projects previously approved by the Regents

Previous Actions: **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  
<http://www.universityofcalifornia.edu/regents/regmeet/mar08/gb12.pdf>

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

Future Actions: A report will be provided at a future meeting on the development of portfolio templates, further refinements of implementation guidelines, definitions of minor amendments to the Physical Design Framework, and reporting and compliance procedures related to projects approved during the pilot phase.

To qualify for participation in the pilot phase, campuses will seek approval by the Committee on Grounds and Buildings of their Capital Financial Plans and Physical Design Frameworks.

## RECOMMENDATION

The President recommends that the Committee on Grounds and Buildings recommend to the Regents that, following service of appropriate notice:

**A. Temporary Amendment of Standing Orders and Regents' Policy be approved as follows:**

The following sections of existing Standing Orders and Regental Policy be temporarily amended for those projects within the parameters of the "Process Redesign for Capital Improvement Projects" for the duration of the pilot phase approved by the Regents in March 2008:

- (1) Subdivision (q) of *Standing Order 100.4, Duties of the President of the University* to increase the President's project approval authority to include projects with costs up to and including \$60 million with the express intent that the President would delegate approval of amendments to the Capital Improvement Program for projects up to and including \$60 million to the Chancellors;
- (2) Subdivision (nn) of *Standing Order 100.4, Duties of the President of the University* to enable the President to obtain external financing on behalf of the campuses for amounts up to and including \$60 million for the planning, construction, acquisition, equipping, and improvement of projects; and
- (3) Paragraph (1)a. of the Regents' *Policy on Approval of Design, Long Range Development Plans and the Administration of the California Environmental Quality Act* such that design approval authority for projects up to and including \$60 million, otherwise assigned to the Committee on Grounds and Buildings is reassigned to the President for delegation to the Chancellors. See Attachment A showing changes to the Standing Orders and the Policy.

The existing versions of the above Standing Orders and the Regents' Policy would remain in effect for all projects that do not qualify for inclusion in the pilot phase of the "Process Redesign for Capital Improvement Projects."

**B. Following Temporary Amendment of the Standing Orders and Regental Policy, if approved, Approval of Proposed Guidelines for Implementation of the Pilot Phase of the "Process Redesign for Capital Improvement Projects":**

Approval of the following guidelines for campus participation in the "Process Redesign for Capital Improvement Projects" to provide a set of linked design and capital financial documents enabling the Regents to provide portfolio-level oversight of capital projects effectively. The Implementation Team anticipates that additional guidelines for

implementation may be identified as it continues its work; when these are developed, they will be shared with the Committee on Grounds and Buildings for its information at a future meeting.

- (1) Each campus' Ten-Year Capital Financial Plan will be a stand-alone portfolio document not requiring additional commentary or explanation and will describe a financially feasible capital program, how it relates to academic and strategic priorities, and the financing strategies that will be used to implement the Plan. Each campus Ten-Year Capital Financial Plan will be reviewed and approved by the Regents.
- (2) Chancellors will have authority to change the scheduling of individual projects identified within the Ten-Year Capital Financial Plan and to augment the budget of a project included in the pilot phase insofar as the project and the overall portfolio of projects remain financially feasible and the total project budget does not exceed \$60 million.
- (3) Chancellors will report annually to the President any changes or updates to their Ten-Year Capital Financial Plans. These data will be included in a University-wide annual report to the Regents.
- (4) Each campus' Physical Design Framework will be reviewed and approved by the Regents in coordination with the campus Long Range Development Plan (LRDP) and will be a comprehensive report identifying the campus' principles and objectives for the design of the physical environment, how they relate to the campus LRDP, and how they are integrated into project planning and design. For the pilot phase, the Physical Design Framework should be approved with the campus' Ten-Year Capital Financial Plan. Minor amendments to the Physical Design Framework may be approved by the President, based on guidelines to be developed. When these guidelines are refined, they will be shared with the Committee on Grounds and Buildings for its information at a future meeting.
- (5) The Regents will approve a template for a "checklist" to be used for project evaluation and documentation.
- (6) For State-funded projects, the pilot phase of the redesign process will be limited to CEQA approval and design review. Campuses must continue to follow all procedures established by the State relating to the approval of project scope, budget and schedule. See Attachment B.

## **BACKGROUND**

The President is seeking approval of these actions to facilitate implementation of the approved pilot phase of the “Process Redesign for Capital Improvement Projects” (the “Project Process Redesign”). Upon approval of the amendment of the *Standing Orders* and Regental Policy, the President will issue all necessary delegations to the Chancellors so they may implement eligible projects during the pilot phase.

In 2007, the University of California initiated efforts to identify specific opportunities to achieve administrative efficiencies within the Office of the President (OP) and across the system. One outcome of those efforts was the recommendation to engage in an in-depth study of the capital project review process and, if warranted, recommend modifications. A Capital Projects Working Group, comprised of campus and OP representatives and sponsored by the Chair of the Regents’ Committee on Grounds and Buildings, was appointed in August 2007, and the Monitor Group facilitated the process. The goal of the Working Group was to develop a proposal to improve the process for reviewing and advancing capital projects. Recognizing that it would take a sustained effort to effect changes in State-mandated procedures, the initial efforts of the Working Group were focused on procedures under control of the Regents. As a result, the redesigned process for capital improvement projects applies to non-State-funded projects. At its March 2008 meeting, the Regents accepted the Report of the Working Group and authorized an 18-month pilot phase to allow assessment of the new process and measurement of impacts.

Following the March action by the Regents, an Implementation Team, reporting to the Executive Vice President for Business Operations, was appointed in May 2008 to consider and resolve issues related to the initiation of these new procedures, establish guidelines for participation in the pilot phase, and oversee implementation of the pilot phase.

As proposed in the March 2008 Report, the Regents will review and approve the Ten-Year Capital Financial Plan and the Physical Design Framework from each campus for assurance that the campus has developed integrated capital financial and physical design plans that are financially feasible, and that delegated projects approved by the campus align with these frameworks. Approval of these plans, as well as the LRDP, authorizes campus participation in the pilot phase. Therefore, prior to receiving authority to approve the budgets and designs of projects with values equal to or less than \$60 million, campuses shall provide to the Regents both a Ten-Year Capital Financial Plan and a Physical Design Framework. These two documents, in association with the campus’ Long Range Development Plan, will provide the Regents with a comprehensive understanding of the frameworks and processes that are guiding both the long-term physical development and financial strategies that are being implemented at each campus. This approach will highlight each campus’ portfolio of capital projects and provide contextual information, both physical and financial, regarding campus development to allow the Regents to provide portfolio oversight of capital projects.

Document development for campuses to implement the recommendations of the original Working Group Report is under way. The Implementation Team is refining a template for the project checklist to evaluate a project and document the project review process. The form of the checklist, requiring approval of the Regents, allows the Chancellor to attest that the project has not substantially deviated from the high-level plans and that it complies with Regental and Presidential policies and any legal requirements. In addition, templates outlining the information to be included in each campus' Ten-Year Capital Financial Plan and Physical Design Framework are being finalized. Finally, the Implementation Team is developing reporting and compliance procedures and mechanisms. It is anticipated that a report on the development of this implementing infrastructure will be provided to the Regents at a future meeting. A timetable for implementation of the pilot phase is included at the end of Attachment B.

Campuses are in various stages of development of their Ten-Year Capital Financial Plans and their Physical Design Frameworks. It is anticipated that the plans and frameworks will be submitted to the Regents for review and approval through the May 2009 meeting. When all campus Ten-Year Capital Financial Plans have been compiled, a consolidated University-wide report on these Plans will be provided to the Regents.

As noted in the March 2008 Capital Projects Working Group Report, implementation of a streamlined capital projects approval process will provide increased clarity of roles, accountability, and policies. The Regents will focus their efforts at a strategic level, providing portfolio oversight of high-level planning guides and addressing systemwide issues as well as concentrating on projects not conforming to the agreed-upon parameters. The role of OP will be more clearly defined as a "service provider" helping campuses identify and mitigate legal or financial risks and identify projects that should be reviewed and approved by the Regents. Finally, as experts on local conditions and needs, campuses will have greater responsibility and accountability for the successful delivery of most capital projects through an investment in planning and evaluation.

(Attachments)

PROPOSED AMENDMENTS TO STANDING ORDERS AND REGENTAL POLICY

The following amendments of the Standing Orders and the Regents' Policy govern capital projects on campuses approved by the Regents' Committee on Grounds and Buildings for inclusion in the Pilot Phase. All amendments are subject to a sunset provision indicating that they shall become inoperative and are repealed on March 31, 2010, unless a later Regents' action, that becomes effective on or before March 31, 2010, deletes or extends the dates on which they become inoperative and are repealed.

Deletions shown by strikeout; additions shown by underscore

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**1. Standing Order 100.4(q) is amended as follows:**

(q)(1)

Except as provided in paragraph (q)(2) below, the President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed \$10 million. The President is also authorized to approve amendments to the Capital Improvement Program for projects exceeding \$10 million up to and including \$20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Grounds and Buildings and also provided that all actions taken in excess of \$10 million up to and including \$20 million under this authority be reported at the next following meeting of the Board. However, the following shall be approved by the Board: (1) projects with a total cost in excess of \$20 million, (2) for projects in excess of \$20 million, any modification in project cost over standard cost-rise augmentation in excess of 25%, or (3) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications.

(q)(2)

This paragraph shall apply exclusively to capital projects on campuses approved by the Committee on Grounds and Buildings for inclusion in the Pilot Phase of Process Redesign for Capital Improvement Projects.

The President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed \$60 million. However, the following shall be approved by the Board: (1) projects with a total cost in excess of \$60 million, (2) for projects in excess of

\$60 million, any modification in project cost over standard cost-rise augmentation in excess of 25%, or (3) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications.

This paragraph shall become inoperative and is repealed on March 31, 2010, unless a later Regents' action, that becomes effective on or before March 31, 2010, deletes or extends the date on which it becomes inoperative and is repealed.

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**2. Standing Order 100.4(nn) is amended as follows:**

(nn)(1)

Except as provided in paragraph (nn)(2) below, The President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including \$10 million for the planning, construction, acquisition, equipping, and improvement of projects. The President is also authorized to obtain external financing for amounts in excess of \$10 million up to and including \$20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Finance, and also provided that all actions taken to obtain external financing for amounts in excess of \$10 million up to and including \$20 million be reported at the next following meeting of the Board. External financing in excess of \$20 million requires Board approval. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

(nn)(2)

This paragraph shall apply exclusively to capital projects on campuses approved by the Committee on Grounds and Buildings for inclusion in the Pilot Phase of Process Redesign for Capital Improvement Projects.

The President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including \$60 million for the planning, construction, acquisition, equipping, and improvement of

projects. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

This paragraph shall become inoperative and is repealed on March 31, 2010, unless a later Regents' action, that becomes effective on or before March 31, 2010, deletes or extends the date on which it becomes inoperative and is repealed.

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**3. Section 1 of *The Regents Policy on Approval of Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act* is amended as follows:**

(1) The Regents designates the following categories of projects as requiring design approval by the Committee on Grounds and Buildings:

(a) Except as provided in subparagraph (c), building projects with a total project cost in excess of \$10,000,000, except when such projects consist of the following:

- i. alterations or remodeling where the exterior of the building is not materially changed;
- ii. buildings or facilities located on agricultural, engineering, or other field stations; or
- iii. agriculture-related buildings or facilities located in areas of a campus devoted to agricultural functions.

(b) Capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of budget matters, fundraising activities, environmental impacts, community concerns, or other reasons.

(c) Building projects on campuses approved by the Committee on Grounds and Buildings for inclusion in the Pilot Phase of Process Redesign for Capital Improvement Projects with a total project cost in excess of \$60,000,000 subject to the same exclusions as subparagraph (a). This subparagraph shall become inoperative and is repealed on March 31, 2010, unless a later Regents' action, that becomes effective on or before

March 31, 2010, deletes or extends the date on which it becomes inoperative and is repealed.

**Proposed Guidelines for Implementation of the Pilot Phase of the  
Process Redesign for Capital Improvements Projects**

As a result of the Implementation Team's work, some of the proposed guidelines contained in Recommendation 2, above depart from those included in the March 2008 Report accepted by the Committee on Grounds and Buildings. The following describes the proposed implementation guidelines and the reasons for any departures from the March 2008 Report.

**Recommendation A:**

Each campus' Ten-Year Capital Financial Plan will be a stand-alone portfolio document not requiring additional commentary or explanation and will describe a financially feasible capital program, how it relates to academic and strategic priorities, and the financing strategies that will be used to implement the Plan.

**Discussion:**

The original March 2008 Report anticipated, and these guidelines affirm, that each campus' Ten-Year Capital Financial Plan would be a stand-alone document, outlining a financially feasible capital program, how it relates to academic and strategic priorities, and the financing strategies that would be employed to implement the Plan.

**Recommendation B:**

Chancellors will have authority to change the scheduling of individual projects identified within the Ten-Year Capital Financial Plan and to augment the budget of a project included in the pilot phase insofar as the project and the overall portfolio of projects remain financially feasible and the total project budget does not exceed \$60 million. Since scheduling and budget augmentation for State-funded projects are dependent on State approvals, this authority would apply only to non-State-funded projects.

**Discussion:**

It is proposed that campuses have the authority to change the scheduling of projects within the Ten-Year Capital Financial Plan and to augment the budget of a project included in the pilot phase insofar as the project and the overall portfolio of projects remain financially feasible and the total project budget does not exceed the \$60 million approval authority delegated to the campuses. Since scheduling and budget augmentation for State-funded projects are dependent on State approvals, this authority would apply only to non-State-funded projects.

To have the ability to respond to changing needs and circumstances, the scheduling of non-State-funded projects within the Ten-Year Capital Financial Plan should be flexible. For example, a campus may want to accelerate a project to take advantage of gifts or a campus may want to defer a project if it would benefit from additional time for design. In the same

manner, a campus may want to augment a non-State-funded project budget to increase the scope of the project or to respond to changes in the bid market. As long as the project and the overall portfolio of projects remain financially feasible and the total project budget does not exceed \$60 million, it is recommended that Chancellors be delegated the authority to augment a project budget and make schedule changes.

Recommendation C:

Chancellors will report annually to the President any changes or updates to their Ten-Year Capital Financial Plans. These data will be included in a university-wide annual report to The Regents.

Discussion:

It is proposed that the Chancellors provide an annual update of any changes to their campuses' Ten-Year Capital Financial Plans and that both campus level and aggregated University-wide data be reported to The Regents annually. The March 2008 Report proposed that the Capital Financial Plans be updated and approved every five years. However, in view of the dynamic nature of capital and financial planning and the State's requirement that requests for State funding be provided on an annual basis, it is recommended that the Chancellors report annually to the President any changes or updates to their Ten-Year Capital Financial Plans. These data will be included in a University-wide annual report to The Regents.

Recommendation D:

Each campus' Physical Design Framework will be reviewed and approved by The Regents in coordination with the campus Long Range Development Plan (LRDP) and will be a comprehensive report identifying the campus' principles and objectives for the design of the physical environment, how those relate to the campus LRDP, and how they are integrated into project planning and design. For the pilot phase, the Physical Design Framework should be approved with the campus' Ten-Year Capital Financial Plan. Minor amendments to the Physical Design Framework may be approved by the President, based on guidelines to be developed. When these guidelines are refined, they will be shared with the Committee on Grounds and Buildings for its information.

Discussion:

The Framework should provide greater definition to the campus LRDP, identifying the campus' principles and objectives for the design of the physical environment, how they relate to the campus LRDP, and how they are integrated into project planning and design. It is anticipated that the Framework would be a comprehensive document with both visual and textual elements and would include key planning elements such as growth expectations, density parameters, sustainability and climate impacts, circulation plans, vistas and sight-lines, and physical connections to the adjacent community. Review and approval of this Framework should be timed in conjunction with approval of the campus LRDP. For the pilot phase, the Framework should be approved when the campus' Ten-Year Capital Financial Plan is approved. When subsequent updates to the LRDP occur, the Framework would be updated as needed and submitted simultaneously for Regents' approval at that time. Minor

amendments to the LRDP, as defined in paragraph (4)b. of the *Policy on Approval of Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act*, and the Framework would continue to require approval of the President consistent with the *Policy*.

Recommendation E:

The Regents will approve a template for a “checklist” to be used for project evaluation and documentation.

Discussion:

As noted previously, prior to a campus’ participation in the pilot phase, three high-level documents which guide the campus’ capital program must be developed and approved by The Regents: the Long Range Development Plan, the Ten-Year Capital Financial Plan, and the Physical Design Framework. In addition, The Regents will be asked to approve a template for a “checklist” to be used for project evaluation and documentation. The Implementation Team is refining a template for the project checklist to evaluate a project and document the project review process. The form of the checklist allows the Chancellor to attest that the project has not substantially deviated from the high-level plans and that it complies with Regental and Presidential policies and any legal requirements.

Recommendation F:

For State-funded projects, the pilot phase of the redesign process will be limited to CEQA approval and design review. Campuses must continue to following all procedures established by the State relating to the approval of project scope, budget and schedule.

Discussion:

The Working Group originally anticipated that the redesign process would apply to non-State-funded projects. After more focused consideration of the procedures for advancing State-funded projects, the Implementation Team determined that the State’s requirements for securing CEQA approval and the University’s requirements for design review could be accomplished within the same planning and review procedures that will apply to non-State-funded projects. All other procedures currently required by the State regarding approval of design, approval of bid documents, and budget and schedule approval for State-funded projects will not change.

## REDESIGN OF THE CAPITAL PROCESS: PILOT PHASE TIMELINE

March 2008	Approval by the Committee on Grounds and Buildings of an 18-month “pilot phase” of the process redesign for approving capital improvements projects and recommendation that a committee be established to oversee the pilot phase and report back to the Committee.
May 2008	Creation of the Implementation Team comprised of a Steering Committee and an Operating Committee was created.
June 2008 - and September 2008	Refinement of guidelines, parameters, and templates for Capital Financial Plan  Physical Design Framework undertaken by the Steering and Operating Committees in coordination with campuses and the Office of the President.
September 2008	Suspension of specified <i>Standing Orders</i> and the <i>Policy on Approval of Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act</i> and amended Guidelines presented to Regents for approval.
* October 2008	Special meeting of G&B to review templates and other documents to facilitate campus planning processes. (Campuses will then present Capital Financial Plans and Physical Design Frameworks to Regents for approval to proceed into Pilot Phase through May 2009.)
May 2009	Presentation of consolidated Universitywide ten-year capital program to Regents
September 2009	18-month Update to Regents on Pilot Phase.
November 2009	Submittal of consolidated Ten-Year Capital Financial Plan to The Regents, in conjunction with approval of 2010-11 State capital budget request.
March 2010	Regents review Pilot Phase and, if warranted, authorize the President to issue standing delegations, including revisions to authority level and other items identified during Pilot Phase.

\* Special Regents’ meeting may be proposed to facilitate completion of the campus processes.