

## **Capital Project Approval Process Table of Contents**

I.	Preparation: Strategic and Capital Resource Planning, Needs Assessment, and Feasibility Studies	1
II.	Adding a Project to the Major Capital Projects Plan (Capital Program)	2
	Project Initiation Form (PIF) Part I	2
	Project Initiation Form (PIF) Part II	2
	Business Plan	3
	Space Leadership Committee (SLC) Project Approval	4
	Board of Visitors (BOV) Approval	4
III.	Adding a Project to the Annual Renovation and Infrastructure Plan (ARIP)	5
IV.	Modifying an Authorized Project	5
	Accelerating a Capital Program Project from Far Term to Near Term	5
	Changing a Fund Source for a Capital Program Project	5
	Increasing Budget or Decreasing Scope for a Capital Program or ARIP Project	6
V.	Removing an Authorized Project from the Capital Program or ARIP	6
VI.	State Capital Project Submission	7
VII.	Post-Authorization Responsibilities	7
VIII.	Design Phase	8
	Initiation of Design	8
	Pre-Design Phase	8
	Schematic Design Phase	8
IX.	Construction Phase	8
X.	Key Stakeholders	9

## Capital Project Approval Process

The Major Capital Project Program (Capital Program) is a comprehensive listing of authorized University of Virginia capital projects in excess of \$2 million, including the Academic Division, the Medical Center, and the University of Virginia's College at Wise (Wise), as well as those to be constructed or financed by the University on behalf of other entities (for example, the Judge Advocate General's School). It excludes the Southwest Virginia Higher Education Center. The Capital Program includes authorized construction, renovation, and acquisition projects that are underway, in active planning, will begin planning in the near term (next two years), and will begin planning in the far term.

The Annual Renovation and Infrastructure Plan (ARIP) is a subset of the Capital Program with an expedited approval process. Projects eligible for the ARIP and its expedited approval timeline include Academic Division or Medical Center renovation or infrastructure projects, without an exterior impact, with a budget between \$2 million and \$5 million to be funded entirely from an existing cash balance (no state general fund appropriations or debt).

Beginning with the December 2015 call for projects, this process will transition from an every other year process to a continuous process to allow for annual updates for approval by the Board. The capital planning process will align with the annual operating budget process, to allow deans and unit heads to properly discuss and plan critical capital projects with their respective senior leadership.

The Space Leadership Committee (SLC) is responsible for the review and development of the University's capital planning process. Its role is to identify, prioritize, and approve capital needs within the context of the University's mission and strategic initiatives for recommendation to the BOV. As a part of this process the Committee:

- Evaluates business/academic plans and related project initiatives developed by the University's schools, Medical Center, Wise, auxiliaries, and other academic and administrative units.
- Assesses and aligns University priorities and resources by ensuring that relevant issues related to the sustainable growth of the University are addressed; that adequate consultation with constituent groups and/or stakeholders takes place; and that appropriate standards for the use of University financial and facility resources are developed and applied.

This document outlines the process for adding, deleting, and modifying capital projects from either the Capital Program or the ARIP. The Vice President for Management and Budget chairs the Space Leadership Committee (SLC) and information on that charge and membership can be found at <http://www.space.virginia.edu/governance.html>. The University Budget Office (UBO) maintains the Capital Process document, Capital Program and ARIP, which are both updated regularly at <http://www.virginia.edu/budget/Cap.html>.

**I. PREPARATION: STRATEGIC AND CAPITAL RESOURCE PLANNING, NEEDS ASSESSMENT, AND FEASIBILITY STUDIES.** It is expected that schools and units will develop and maintain academic and /or business strategic plans which will be reviewed as needed with their respective EVP. The plans will provide a framework for the annual budget process and will be referenced in the annual budget materials and discussions. It is expected that changes to the Capital Program will be identified by the schools and units in their annual budget submittals.

## Capital Project Approval Process

The annual budget process will consider changing programs, business practice, census, and space needs; items deemed by the budget participants (which includes members from the Space Working Group (SWG) and the SLC) to have a potential capital impact which may warrant further study to define needs and identify options will be identified to the SLC.

Projects that are 1) warranted on the basis of business, academic, university and strategic plans, 2) approved by the EVP and 2) supported by the SLC will be developed through the use of a Feasibility Study.

**II. ADDING A PROJECT TO THE CAPITAL PLAN.** A new project may be added to the capital plan using the following process. Projects outside of the annual budget process will require an evaluation to ensure alignment with strategic planning.

### A. Project Initiation Form (PIF) Part I

1. The project sponsor identifies a facilities need (renovation, construction, or acquisition) that will exceed \$2 million. The sponsor works with its internal constituencies (department heads/directors, deans/vice presidents) to develop project concept. If the project is deemed eligible for the ARIP expedited approval process (a renovation or infrastructure project between \$2 and \$5 million funded entirely from cash) see item III.
2. The sponsor completes the PIF Part I (available at <http://www.virginia.edu/budget/Cap.html>), which includes a description of the proposed project and how it relates to the unit and University's strategic goals as well as a preliminary scope, budget range, and funding plan. PIF Part I will be in a 'Sponsor Draft' status upon completion of this step. Facilities Management (FM) is available to assist with this step.
3. The sponsor obtains documentation of the dean or vice president's approval and adds the approval names and dates to PIF Part I Approval Section.
4. The respective EVP or designee reviews PIF Part I as it relates to the preliminary project and scope in concept only. This review is to provide early concurrence that the project aligns with budget parameters, the approved strategic and facilities plan, and should continue to move forward for possible inclusion in the Capital Program. It does not indicate approval of the scope, budget, or funding plan.
5. The EVP or designee will add the EVP name and date to PIF Part I Approval Section and move the PIF forward to PIF Part II. The PIF will be in "Workgroup Draft" status upon completion of this step. An email notification is sent to the PIF Contact. A read-only archive version of the PIF with a status of "Sponsor Approved" is created. The PIF Part I must be completed nine weeks prior to the Buildings and Grounds committee meeting at which approval for the project will be sought.

### B. Project Initiation Form (PIF) Part II

1. The PIF Part II is developed by the Part II Workgroup for near term projects. This workgroup is led by the OAU and FM, includes the UBO, and may include representatives

## Capital Project Approval Process

from the project sponsor, the Senior Academic Facility Planner from the Provost's Office (for academic facilities), the Medical Center Facilities Planning & Capital Development Office (for Health System projects), and Treasury Management (if debt is included). The PIF Part II provides a review of the site, scope, budget range, and funding plan. This review will include, but is not limited to, consideration of utilities and other site work; LEED certification, the parking impact, Real Estate & Leasing Services (RELS) impact and the application of the Grounds Improvement Fee. A PIF Part II Workgroup meeting will be held eight weeks prior to the Buildings and Grounds Committee meeting at which approval for the project will be sought.

2. After the PIF Part II is completed, UBO moves the PIF to "Workgroup Approval" status and notifies respective EVP staff that it is ready for review by the EVP.
3. The EVP will review the PIF and forward feedback, modifications, and approval/disapproval of the project to the UBO. The UBO will make necessary adjustments to the PIF. If the EVP indicates approval of the project, UBO moves the PIF to "EVP Approved" status.
4. UBO will initiate the Business Plan review for all projects to be added to the near term.

### C. Business Plan

1. UBO begins work with the sponsor to develop the Business Plan (template available at <http://www.virginia.edu/budget/Cap.html>) for projects to begin planning in the near term (through the next two years). The Business Plan is developed based on the high end of the budget range and includes an assessment of operations and maintenance costs.
2. If the sponsor identifies debt as a potential fund source (including any bridge financing), Treasury will work with UBO and the sponsor during the development of the business plan. Following the creation of the business plan, Treasury prepares a Project Credit Analysis to determine the optimal source of funding for any internal borrowing and to assess the borrower's ability to make the required debt service payments. To request debt, the sponsor needs to complete an Internal Borrowing Application (available at <http://www.virginia.edu/treasury/internal.html>).
3. If the sponsor identifies philanthropy as a planned fund source, DPA will work with UBO and the sponsor to develop a Private Funding Assessment (template available at <http://www.virginia.edu/budget/Cap.html>). This review includes an evaluation of the private funding prospects for the proposed project and its related operations and maintenance costs, as well as the expected timeline for the collection of pledges. Discounts for uncollectible pledges should also be incorporated into any projection of gifts to be collected.
4. UBO will incorporate the Project Credit Analysis and the Private Funding Assessment into the Business Plan and will seek approval of the Business Plan from the sponsor and VP/dean.

## Capital Project Approval Process

### D. Space Leadership Committee (SLC) Project Approval

1. The UBO will add proposed projects to an upcoming SLC meeting agenda and provide background materials (PIF Parts I and II, Business Plan with Project Credit Analysis and Private Funding Assessment). The SLC will approve the capital plan prior to the Buildings and Grounds Committee meeting at which approval for the project will be sought.
2. The SLC will review each project and will consider whether to approve the project proposal for submittal to the Board of Visitors.
  - a. If the SLC suggests modifications, Part II Work Group will coordinate changes to each PIF. The respective EVP or designate will communicate modifications to the sponsor.
  - b. Following approval, UBO will add the project approval to the respective Board committee agendas.
  - c. SLC will determine priority of project on the Capital Program, considering state fund request, debt capacity, and fundraising efforts.

### E. Board of Visitors (BOV) Approval

1. Programmatic endorsements are sought from the following areas:
  - a. Education Policy Committee for academic building
  - b. College at Wise Committee for College buildings
  - c. Medical Center Operating Board for Health System buildings
  - d. Student Affairs and Athletics Committee for student, athletic, or housing projects
  - e. Buildings & Grounds Committee for infrastructure projects

The endorsements can be obtained from the committee, the committee chair, or the chair's designee. The respective VP staff will develop materials, including write-ups, resolutions, and presentations, for this review. The project sponsor and OAU will assist as needed.

2. The Senior Vice President for Development and Public Affairs will review with the chair of the External Affairs Committee the Private Funding Assessments of proposed projects.
3. The Finance Committee will review the Business Plans. UBO will develop materials, including write-ups, resolutions, and presentations, for this review. Once a Business Plan that contains long-term debt is approved, the Executive Vice President/COO and the Chair of the Finance Committee will approve the Intent to Issue Declarations.
4. The Buildings and Grounds Committee will review each project, its scope and budget range and consider approval. UBO will develop materials, including write-ups, resolutions, and presentations, for this review.
5. Following all BOV approvals, UBO will move the PIF to "BOV Approved" status and will upload the BOV-approved PIF into the CapPlan shared server for Treasury Management's data repository.

## Capital Project Approval Process

### III. ADDING A PROJECT TO THE ANNUAL RENOVATION AND INFRASTRUCTURE PLAN (ARIP)

- A. SLC and BOV review and approvals are simplified and shortened for projects on ARIP (available at <http://www.virginia.edu/budget/Cap.html>). Annually, each area develops a list of major maintenance, interior renovation, fit-out of shell space, and infrastructure projects with budgets between \$2 million and \$5 million to be funded from existing cash balances (no state general fund appropriations or debt) in conjunction with the annual operating budget review.
- B. The respective VP reviews the ARIP in conjunction with the annual operating budget review and submits to UBO by deadlines established for review of the annual operating budget submission with the respective EVP.
- C. Annually, the SLC will review and approve the full ARIP for recommendation to the Finance Committee and full Board.
- D. Following approval, UBO will update the ARIP at <http://www.virginia.edu/budget/Cap.html>.

### IV. MODIFYING AN AUTHORIZED PROJECT

- A. Accelerating a Capital Program Project from Far Term to Near Term
  1. To accelerate a project to the near term, the project sponsor will create a new PIF Part I, copying all data from the originally submitted PIF and changing the “Fiscal\_Start\_Year (July 1, YYYY)” to the new period. This will re-calculate the Preliminary Funding and Cost Information, possibly changing the total project cost. The project sponsor will notify UBO of the change.
  2. UBO will move the PIF forward to PIF Part II and convene the PIF II Work Group, as outlined in I.B. above.
  3. The UBO will initiate a Business Plan, as outlined in I.C. above.
  4. The SLC will review the updated PIF Parts I and II and Business Plan in order to approve taking the project to the Board of Visitors for consideration.
  5. Since programmatic endorsements and project authorization occurred when the project was added to the far term of the Capital Program, only the financial plan needs to be taken to the Board of Visitors. The UBO will add the project to the agenda of the next Finance Committee meeting. The Finance Committee will review the Business Plan and Intent-to-Issue items. UBO and Treasury will develop materials, including write-ups, resolutions, and presentations, for this review.
  6. Following BOV approval, UBO will move the project to the near term on the Capital Program and will move the PIF through to BOV Approval. The new PIF Part II is uploaded to the Capitalplan.org data repository and the old PIF Part II is deleted.
- B. Changing a Fund Source for a Capital Program Project
  1. To adjust the fund sources for a project, the project sponsor should notify UBO of the proposed change.

## Capital Project Approval Process

2. The UBO will revise the Business Plan, as outlined in I.C. above, obtaining concurrence of the project sponsor, VP/Dean, and EVP.
  3. If the funding change results in an increase in debt, UBO will notify Treasury who will review the additional debt requirement and, if Treasury concurs with the request, add the item to the next Finance Committee agenda.
  4. If the funding change results in an increase in gifts to be fundraised, UBO will request a Private Funding Assessment from DPA.
  5. Following all approvals, UBO will modify the Capital Program accordingly.
- C. Increasing Budget or Decreasing Scope for a Capital Program or ARIP Project
1. FM will develop a Decision Brief (DB) outlining any project budget increases or scope changes (including ARIP projects). Internal routing/approval will follow the distribution outlined on the DB. After internal approvals are obtained, the DB will be filed as part of the project documentation.
  2. If budget increase is 10 percent or greater, UBO will add the item to the next Finance Committee and Buildings and Grounds Committee agendas. The COO may approve an exception whereby the chairs of each committee are asked to sign the DB without full committee approval. If approved by the committee chairs, the full committee is later notified of these actions. UBO will develop materials, including write-ups, resolutions, and presentations, for this review.
  3. If scope decrease is 10 percent or greater, UBO will add the item to the next Buildings and Grounds Committee agenda. The COO may approve an exception whereby the chair of the committee is asked to sign the DB without full committee approval. If approved by the committee chair, the full committee is later notified of these actions. UBO and/or FM will develop materials, including write-ups, resolutions, and presentations, for this review.
  4. If the budget increase (regardless of amount) will be funded from debt, UBO will notify Treasury who will review the additional debt request and, if Treasury approves, add the item to the next Finance Committee agenda.
  5. If the budget increase (regardless of amount) will be funded from gifts not yet in hand, UBO will request a Private Funding Assessment from DPA.
  6. Following all approvals, UBO will modify the Capital Program accordingly.

## **V. REMOVING AN AUTHORIZED PROJECT FROM THE CAPITAL PROGRAM OR ARIP.**

- A. An authorized project may be removed from the capital plan at any time, with email notification to the UBO from the project sponsor which indicates concurrence by the respective VP/Dean. Changes will be communicated to the SLC at their next quarterly meeting.

## **Capital Project Approval Process**

- B. Additionally, each unit will confirm to the UBO during the annual budget cycle whether projects on the Capital Program or ARIP will remain or be removed.

### **VI. STATE CAPITAL PROJECT SUBMISSION**

- A. The SLC reviews BOV-approved projects and determines priority based on consideration of state funding requests, debt capacity allocation, fundraising efforts, etc.
- B. For projects requesting state general funds, UBO will develop required submission items, with assistance from OAU and FM, based on the state's biennial submission timeline (spring of each odd-numbered year).
- C. UBO reviews actions by the Governor and General Assembly to note when authorization is provided for general-fund projects.
- D. For non-general fund projects (including ARIP projects) exceeding \$2 million, the University will notify the Governor and the Senate Finance and House Appropriations Committee chairs 60 days in advance of the start of construction. UBO will draft such correspondence upon approval by the Board of Visitors and forward to the VPMB to review and obtain the signature of the President before forwarding to the state officials.
- E. UBO coordinates the update of the CapPlan server files for state authorization information and provides information to FM.

### **VII. POST-AUTHORIZATION RESPONSIBILITIES**

- A. Treasury coordinates the lending of funds as outlined on the approved Business Plan for each respective project from the University's internal bank to sponsoring units. Treasury will fully execute the loan application; the loan agreement will be signed by the VP/CFO and the dean or vice president of the sponsoring area. Treasury will coordinate any further required Finance Committee actions to review and approve debt actions, including Intent to Issue Bonds and Bond Issuances. Treasury will develop materials, including write-ups, resolutions, and presentations, for this review.
- B. Real Estate and Leasing Services will fully coordinate any further required Finance Committee actions to review and approve any acquisitions or other real estate items. Real Estate and Leasing Services will develop materials, including write-ups, resolutions, and presentations, for this review.
- C. For projects approved by the BOV, FM prepares HECO-2s; the UBO approves HECO-2s; and FM provides notification to the Department of General Services and DPB.
- D. UBO coordinates the creation of projects and awards in the Integrated System as needed for new authorized projects.
- E. Treasury notifies the Treasurer of Virginia of its intent to issue bonds at the time it adopts the bond issuance planning schedule.

## Capital Project Approval Process

- F. UBO coordinates allotment requests to the Department of Planning and Budget (DPB) for all state-funded projects.
- G. The Comptroller's Office (Senior Technology Advisor) coordinates update of the CapPlan server upload file for Treasury Management's revised draw schedules and project expenditures by automatic upload from Oracle Grants Accounting actual data and FM draw schedules on a regular basis or upon request by Treasury.

### VIII. DESIGN PHASE

- A. Initiation of Design: A project's design phase may begin only after 1) the project has been approved by the Board of Visitors and 2) funding is available and, if from gifts, held in a Rector and Visitors (not a foundation) account. If a project is not fully funded, the SLC may approve the initiation of the design phase upon verification by the respective EVP that sufficient revenues exist for this phase. For gift funded projects, the Development Office and UBO will prepare a quarterly review of the status of fundraising versus the Private Funding Assessment to be distributed at the SLC. If fundraising is not on schedule, or if it appears that the chances of closing the funding gap is not promising, the SLC may decide to 1) stop the project, 2) continue the project as planned, or 3) reduce its scope.
- B. Pre-design Phase – Detailed Project Programming: Pre-design Studies are the first step in the project's design phase. The studies include detailed project programming, and investigations of existing site and building conditions that are needed to inform the project design. For example, a thorough assessment of a building's condition would be needed for a renovation project, and a Historic Structures Report would be needed for a project involving certain historic buildings. A complete outline of the Pre-Design Study is in the SLC's Charge, Membership and Capital Process document, which can be found on the UBO website at <http://www.virginia.edu/budget/Cap.html>.
- C. Schematic Design Phase: FM, OAU, and sponsor will provide to the SLC a firm project budget at the completion of schematic design for recommendation to the Board of Visitors.

### IX. CONSTRUCTION PHASE

Construction phase for gift funded projects will begin only if (1) 100% of philanthropy identified on the approved Business Plan, valued on a present value basis, is received and deposited into a Rector and Visitors (not a foundation) account or committed via written enforceable pledges and (2) 100 % of the written enforceable pledges will be collected into a Rector and Visitors (not a foundation) account prior to construction completion. If this threshold cannot be met, the project sponsor must first demonstrate approval from Treasury for internal debt to cover short-term financing costs as pledges are collected. Exceptions to this practice can be made by the COO and the Finance Committee chair.

## Capital Project Approval Process

### X. Key Stakeholders:

Board of Visitors (BOV)

Space Leadership Committee (SLC)

Executive Vice President and Provost (Provost)

*Vice Provost for Academic Affairs*

*Vice Provost for Administration & Chief of Staff*

Executive Vice President and Chief Operating Officer (EVPCOO)

*Vice President for Management & Budget (VPMB)*

Executive Vice President for Health Affairs (EVPHS)

*Senior Associate Dean for Research, School of Medicine*

Dean of the College & Graduate School of Arts and Sciences (CGAS)

Office of the Architect (OAU)

Facilities Management (FM)

*Chief Facilities Officer*

*Director of Energy & Utilities*

University of Virginia Foundation (UVAF)

*Chief Financial Officer*

Vice President and Chief Student Affairs Officer (VPCSA)

*Associate Vice President for Student Affairs*

Faculty Senate (Two Members)

*School of Medicine & School of Engineering*

*School of Architecture*

Staff Support

*Assistant Vice President for Management & Budget*

University Budget Office (UBO)

Facilities Management (FM)

Office of the Architect for the University (OAU)

Office of the Executive Vice President and Provost

Real Estate & Leasing Services (RELS)

Treasury Management (Treasury) Comptroller/Debt Accounting