Capital Project Authorization and Approval Process
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Key Stakeholders:
    University Budget Office (Budget Office)
    Office of the Architect of the University (Architect's Office)
    Facilities Management
    Treasury Operations
    Investment & Tax Services (Investment Services)
    Comptroller
    University Development

Process for Revision
    Contact Director, University Budget Office (msb2p@virginia.edu)

CAPITAL PROJECT AUTHORIZATION AND APPROVAL PROCESS FLOW

I. Project Formulation

A. Initiate

1. Sponsoring unit identifies a facilities need (i.e. a building expansion or renovation or construction). Sponsor works with its internal constituencies – department heads/directors, deans/vice presidents, Vice President and Provost (VPP)/Executive Vice President and Chief Operating Officer (EVP/COO) – to develop project concept.

2. Sponsor obtains a Project Initiation Form (Exhibit A) from the Capital Budgeting website maintained by the Budget Office.

3. Sponsor shall work consultatively with the Architect's Office to prepare the Project Initiation Form. The Architect's Office is the starting point for consultation and launching the process using the resources and membership of the Facilities Planning Team (FPT). As a member of the FPT, Facilities Management will be consulted to determine full scope of work and to benchmark project cost.

4. Sponsoring dean or vice president approves the Project Initiation Form and forwards to either the VPP or the EVP/COO (as appropriate based on the type of project) via e-mail.

5. The VPP and/or EVP/COO (as appropriate based on the type of project) approves the Project Initiation Form and submits it via e-mail to the Architect's Office. If not submitted by the VPP or the EVP/COO, the Architect's Office will forward the project proposal to the appropriate senior executive for approval before any work begins. At this point, the VPP or EVP/COO has formally approved the project to move forward to the next planning phase.

B. Database Set Up

1. The Architect's Office uploads each Project Initiation Form into the Capitalplan.org database hosted by Prager, Sealy & Co. This database will be referred to as the Prager database throughout this document. The Architect's Office maintains the Excel version of the Project Initiation Form to enable future comparisons between the original submission and final approval. When a Project Initiation Form is uploaded to the Prager database, a flag will be placed on the project on the Capital Projects List on the Prager database to alert stakeholders of the new project.

2. The Architect's Office is responsible for developing and maintaining a Project Formulation Notebook to include key documents, studies and approvals related to the project and will be maintained by the Architect's Office going forward.

C. Financial Analysis

1. The Budget Office begins work with the Sponsor to develop the Business Plan (Exhibit B), using the template on the Forms Directory, to determine expected funding from all sources for the capital project and on-going operations of the facility.

2. If the Sponsor and the Budget Office identify University debt as a planned or potential (i.e. bridge financing for pledges) fund source, the Budget Office will provide relevant information to Treasury Operations. Treasury Operations will coordinate with Investment Services and the Vice President and Chief Financial Officer (VP/CFO) to evaluate the impact of issuing any University debt for the proposed project and make a recommendation as to whether to proceed with the debt assumption in the Finance Plan. Treasury Operations will forward the resulting Debt Assessment (Exhibit C) to the Budget Office.

3. If the Sponsor and the Budget Office identify philanthropy as a planned fund source, the Budget Office will provide relevant information to the University Development Office (Development) who will evaluate the private funding prospects for the proposed project. Development will forward the resulting Private Funding Assessment (Exhibit D) to the Budget Office.

4. The Budget Office will incorporate results of the Treasury Operations and the Development reviews into the Business Plan. Treasury Operations and Investment Services will have an opportunity at this time to review the draft Business Plan and to provide feedback regarding the overall funding plan, including any financing alternatives not considered.

5. The Budget Office will get appropriate approvals (Vice President for Management and Budget (VPMB), Sponsor(s), appropriate VP) of the Business Plan.

6. The Budget Office will enter the Business Plan into the Prager database. When a Business Plan is entered in the Prager database, a flag will be placed on the project on the Capital Projects List on the Prager database to alert stakeholders of the modification.

7. The Budget Office will forward the financial analysis packet (Business Plan, Debt Assessment, Private Funding Assessment) to the Architect's Office for presentation to the Executive Review Committee (ERC), with a copy to Treasury Operations and Investment Services.

II. Executive Approval – ERC is composed of the EVP/COO, the Senior Vice President for Development and Public Affairs, the VPP, the VPMB, the VP/CFO, and the Architect for the University.

A. The Architect's Office will present new projects which have completed the Project Initiation, Project Formulation Notebook, and Financial Analysis processes to the ERC.

1. If the ERC suggests modifications which were originally included in the Project Initiation Form, the Architect's Office will involve parties responsible for project formulation development and make the changes to the project record in the Prager database. No change is necessary to the original Project Initiation Form created in Microsoft Excel. When a Project Initiation Form is modified in the Prager database, a flag will be placed on the project on the Capital Projects List on the Prager database to alert stakeholders that a modification has been made

2. If the ERC suggests modifications which impact the Business Plan, the Architect's Office will include the detail of such modifications in the minutes of the ERC which are distributed to key stakeholders.

3. The Budget Office will review ERC modifications, discussing any amended debt items with Treasury Operations and any amended philanthropy requirements with Development.

4. The Budget Office will modify the Business Plan maintained on the Prager database as necessary. When a Business Plan is modified in the Prager database, a flag will be placed on the project on the Capital Projects List on the Prager database to alert stakeholders that a modification has been made.

5. The project will return to the ERC through the Architect's Office for review. This loop continues as often as changes are suggested by the ERC for a particular project.

B. Review draft Six-Year Plan as required according to the state's biennial budget cycle, generally the winter of each odd year.

1. The Architect's Office and VPMB issue a call letter in the spring of each even year requesting projects to be included in the Six-Year Plan to be submitted the following year.

2. Submissions originate in schools/units, obtain senior VP approval and are submitted to the Architect's Office. If projects have not been reviewed and approved by the ERC as outlined in II.A above, school/units will complete a Project Initiation Form. These projects will not undergo a full Project Formulation at this time. See section IV.E.2.

3. The Architect's Office will upload Project Initiation Form to the Prager database and generate draft Six Year Plan.

4. A preliminary Business Plan is developed by the Budget Office and entered into the Prager database, with a higher level of analysis required for those projects proposed for the first biennium. The Budget Office will consult with Development and Treasury Operations/Investment Services as needed in the development of this preliminary plan.

5. If philanthropy is a funding source identified in the Business Plan, before the Six Year Plan is finalized and ready for submission to the ERC and the Board of Visitors, the Budget Office will request a preliminary evaluation of the private funding prospects for the proposed project from Development.

6. Before the Six Year Plan is finalized and ready for submission to the ERC and the Board of Visitors, Treasury Operations will develop a Debt Assessment as to the total impact on the University's debt capacity.

7. The ERC reviews, suggests changes, and approves the Six Year Plan. Priorities will be assigned by the ERC after BOV approval (See IV.A.1).

8. The Architect's Office makes ERC proposed modifications to the Prager database.

9. After each iteration of the Six-Year Plan in the Prager database, the Architect's Office archives each version as an Excel document in order to create an audit trail. Suggested naming convention: Six-Year Plan Draft 2006-2012.01-31-2005.v1.xls.

C. Review budget amendments to be submitted each fall for new projects and changes in funding/budget for already authorized projects which occur outside the Six-Year submittal window for submission to Governor. The necessary budget amendments are drafted by the Budget Office with assistance from Facilities Management in preparation of various budget submission forms. It is expected that budget amendments will be proposed for new projects only after the ERC has approved the projects (through step II.A.5). The Budget Office will ensure that the Prager database is updated with any modifications.

D. Review legislative amendments to be submitted each January for new projects and changes in funding/budget for already authorized projects which occur outside the budget amendment submittal process. The necessary legislative amendments are drafted by the Budget Office with assistance from other departments as required. It is expected that legislative amendments will be proposed for new projects only after the ERC has approved the projects (through step II.A.5). The Budget Office will ensure that the Prager database is updated.

E. VPMB will review any necessary administrative increases or emergency authorizations to be submitted to Governor outside normal budget cycle. The necessary emergency authorizations are drafted by the Budget Office. It is expected that administrative increases or emergency authorizations will be proposed for new projects only after the ERC has approved the projects (through step II.A.5). The Budget Office will ensure that the Prager database is updated.

III. BOV Authorizations

A. The Board of Visitors will review and approve individual projects and six-year plan submissions recommended by the ERC.

1. The chair or his/her designee of the appropriate committees will perform Programmatic Consultation and Reviews for each project. This will include: Education Policy Committee for academic buildings; College at Wise Committee for College buildings; Medical Center Operating Board for Health System buildings; Student Affairs and Athletics Committee for student, athletic, or housing projects; and Buildings & Grounds Committee for infrastructure projects. The Architect's Office will develop any needed BOV materials, including write-ups, resolutions, and presentations, for this review.

2. The Finance Committee will review the Business Plan/Debt Assessment and fiscal impact of each capital project. The Budget Office will develop any needed BOV materials, including write-ups, resolutions, fiscal impact statements, and presentations, for this review.

3. The External Relations Committee will review the Private Funds Assessment of any proposed gift funding for each capital project. The Development Office will develop any needed BOV materials, including write-ups, resolutions, and presentations, for this review.

B. The Finance Committee will review and approve State Budget Amendments and Legislative Budget Amendments. The Budget Office will develop any needed BOV materials, including write-ups, resolutions, fiscal impact statements, and presentations, for this review.

C. The Budget Office will update BOV approval information in the Prager database following the Board meeting.

IV. State Authorization

A. Six Year Plan Submittal:

1. ERC reviews BOV-approved Six Year Plan and determines priority based on consideration of state funding requests, debt capacity, etc.

2. The Budget Office coordinates submittal of the BOV-approved Six Year Plan to Department of Planning and Budget, with assistance of the Architect's Office and Facilities Management.

3. The Budget Office prepares the state Financial Feasibility Study forms as part of this submittal and coordinates with Treasury Operations as needed.

B. Budget Amendments - The Budget Office coordinates submittal of BOV-approved Budget Amendments to Department of Planning and Budget, with assistance of the Architect's Office and Facilities Management.

C. Legislative Budget Amendments - The Budget Office prepares BOV-approved Legislative Budget Amendments for submission to the General Assembly each January.

 D. Administrative and Emergency Authorizations – The Budget Office prepares justifications for submission to the Department of Planning and Budget.

 E. General Assembly Reports - The Budget Office analyzes General Assembly Reports for authorization actions.

  1. The Budget Office coordinates the update of the Prager database for authorization information and provides information to Facilities Management to update PIMS.

  2. Six-Year Plan authorized projects which have not completed the full Project Formulation phase and ERC/BOV individual project review will proceed with those items as appropriate with the project planning and construction schedules.

  3. For projects authorized to proceed, Facilities Management prepares CO/HECO-2 Forms; the Budget Office approves CO/HECO-2 Forms; and Facilities Management approves and submits to state for approval (CO-2) or notification (HECO-2).

  4. Facilities Management prepares and submits allotment requests to the Department of Planning and Budget.

  5. Facilities Management creates projects and awards in the Integrated System as needed for new authorized projects.

V. Other

 A. The Budget Office coordinates update of Prager database for revised draw schedules and project expenditures by automatic upload from Oracle Grants Management actual data and Facilities Management draw schedules on a regular basis or upon request by Treasury Operations or Investment Services. When a draw schedule is modified in the Prager database, a flag will be placed on the project on the Capital Projects List on the Prager database to alert stakeholders that a modification has been made.

 B. The Budget Office will review each Decision Brief developed by Facilities Management regarding changes in project budgets to determine the impact on the existing Business Plan. If a modification is required, the Budget Office will coordinate with Treasury Operations, Investment Services, and Development as needed.

 C. ERC reviews project status after state authorization at least three times:

  1. Concept, Site and Design Guidelines.

  2. Schematic Design. This phase begins only if design funding is available. ERC may require an evaluation of fund raising efforts at the end of the preliminary design stage. If fund raising is lagging behind projections, ERC may request that the project scope be reduced or timing of project be adjusted to stay within funding.

3. Construction. This phase begins <u>only</u> if (1) 100% of philanthropy identified on the approved Finance Plan, valued on a present value basis, is either received or committed via written enforceable pledges on a present value basis are in hand **and** (2) 100 % of the written enforceable pledges will be collected prior to construction completion. Exceptions can be made if either (1) the project sponsor demonstrates funding to cover short-term financing costs as pledges are collected or (2) the EVP/COO and the Finance Committee chair approves the beginning of construction.

D. BOV reviews project status periodically after state authorization:

1. The Finance Committee will review and approve any Acquisition Requests. The Budget Office will develop any needed BOV materials, including write-ups, resolutions, fiscal impact statements, and presentations, for this review.

2. The Finance Committee will review and approve debt actions, including Intent to Issue Bonds and Bond Issuances. Treasury Operations will develop any needed BOV materials, including write-ups, resolutions, fiscal impact statements, and presentations, for this review.

3. The Finance and Buildings & Grounds Committees, or their respective chairs, will review and approve a Contract Review for any project budget which is increased in excess of 10 percent as a result of project bidding. If approved by the Committee Chairs, the full Board is later notified of these actions. The Budget Office will develop any needed BOV materials, including write-ups, resolutions, fiscal impact statements, and presentations, for this review.

4. The Buildings & Grounds Committee, or its respective chair, will review and approve any scope reductions in excess of 10% that are needed to stay within budget and are approved by senior management. The full Board is later notified of these actions. The Budget Office and/or the Architect's Office will develop any needed BOV materials, including write-ups, resolutions, fiscal impact statements, and presentations, for this review.

5. The Buildings & Grounds, at appropriate point, will review and approve Concept, Site, and Design Guidelines, Architect/Engineer Selection, Schematic Designs, Easements, Demolitions, and Deed Restrictions. The full Board is later notified of these actions. The Budget Office and/or the Architect's Office will develop any needed BOV materials, including write-ups, resolutions, fiscal impact statements, and presentations, for this review.

E. VP/CFO coordinates the lending of funds as outlined on the approved Business Plan for each respective project from the University's central bank to sponsoring units. The VP/CFO and sponsoring unit will execute a loan approval and acceptance document between the VP/CFO and the dean or Vice President of the sponsoring area. See Exhibit E for sample loan terms and condition sheet and Exhibit F for a sample loan approval and acceptance document.

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