

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

I.	Preliminary Project Proposal	1
II.	Final Project Proposal	2
III.	Project Proposal – Executive Review Committee	2
IV.	Business Plan	2
V.	Annual Renovation and Infrastructure Plan	3
VI.	Project Approval – Executive Review Committee	3
VII.	Board of Visitors Approvals	4
VIII.	Project Formulation Study	4
IX.	Post-Approval Administrative Actions	5
X.	Post-Approval ERC Actions	6
XI.	Post-Approval BOV Actions	7

### **Key Stakeholders:**

- University Budget Office (UBO)
- Office of the Architect for the University (OAU)
- Facilities Management (FM)
- Treasury Operations (TOPS)
- Comptroller/Debt Accounting
- Development and Public Affairs

**Process for Revision:** Contact Assistant Vice President for Budget and Financial Planning, University Budget Office ([msb2p@virginia.edu](mailto:msb2p@virginia.edu))

## Capital Project Approval Process

This process applies to all University of Virginia capital projects in excess of \$1 million (construction, renovation, or acquisition), including the Academic Division, the Medical Center, and The University of Virginia's College at 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).

While capital projects can be proposed at any time, it is expected that the majority will be identified during the biennial updates of the University's Major Capital Projects Plan (MCP). Information in italics is specifically related to the MCP biennial update.

The capital process includes 1) development of a project proposal, 2) project approval by the Board of Visitors, and the Commonwealth of Virginia when State funds are involved; and 3) post approval actions by the University Administration and the Board of Visitors.

The program is overseen by the University Administration through its Executive Review Committee (ERC). ERC membership includes the Executive Vice President and Chief Operating Officer (EVP/COO), the Executive Vice President and Provost (EVP/PRO), the Senior Vice President for Development and Public Affairs, the Vice President for Management and Budget (VPMB), the Vice President and Chief Financial Officer (VP/CFO), and the Architect for the University.

The departments responsible for its implementation are Facilities Management (FM), the Office of the Architect for the University (OAU) the University Budget Office (UBO), and Treasury Operations (TOPS).

### I. Preliminary Project Proposal (Part I, Project Initiation Form)

1. The project sponsor identifies a facilities need (i.e. building expansion, renovation or construction) that will exceed \$1 million. The sponsor works with its internal constituencies – department heads/directors, deans/vice presidents – to develop project concept.

*During the biennial update of the MCP, this cycle is initiated by a call letter from the VPMB.*

2. The sponsor completes Part I of the web-based Project Initiation Form (PIF), including a description of the proposed project and a preliminary scope, budget range, and funding plan. The PIF is accessed at <http://www.virginia.edu/budget/Cap.html>.

**EXCEPTION:** For Academic Division or Medical Center renovation or infrastructure projects, with a budget between \$1 million and \$5 million to be funded from non-general fund cash (no general funds and no debt), steps I through IV are replaced with the Annual Renovation and Infrastructure Plan Process. See Step V.

3. The sponsor obtains documentation of the dean or vice president's approval of the preliminary proposal in Part I and electronically approves the PIF to move forward to the respective Executive Vice President's review.
4. The respective Executive Vice President (EVP) or designee reviews the PIF, Part I as it relates to the preliminary project and scope in concept only. This review is to provide early concurrence that the Part II Work Group should further develop the project for possible inclusion in the

## Capital Project Approval Process

MCPP. The EVP or designee will indicate electronic approval, moving the PIF forward to the next step.

### II. Final Project Proposal (Part II, Project Initiation Form)

1. The Part II Work Group is led by the OAU and FM and may include representatives from the project sponsor, UBO, the Senior Academic Facility Planner from the Provost Office (for academic facilities), the Medical Center Facilities Planning & Capital Development Office (for Health System projects), and TOPS (for debt-funded projects). This workgroup will complete Part II of the Project Initiation Form, providing an official 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, and the application of the Grounds Improvement Fee.

*During the biennial update of the MCPP, this workgroup review will take place over extended work sessions.*

2. After Part II of the Project Initiation Form is completed, the work group leaders electronically forward the Project Initiation Form to the respective EVP or designate for approval.
3. After EVP's electronic approval (through designate), the FM, OAU, UBO, and TOPS representatives will be notified and the OAU will place the project on the agenda of the next Executive Review Committee meeting.

### III. Project Proposal – Executive Review Committee

1. The Architect for the University will present new projects which have been through the Part II review to the ERC. **TOPS will also provide a report on debt capacity allocation for those projects being funded with debt.** The ERC will consider whether to allow the project to proceed to the Business Plan review. This action does not signify final approval of the project.

*During the biennial update of the MCPP, this ERC review will occur at one time for all proposed projects.*

2. Following ERC review, the Part II Work Group will coordinate making changes to each PIF. The respective EVP or designate will communicate modifications to the sponsor.
3. UBO will initiate the Business Plan review.

*During the biennial update of the MCPP, only projects that will be considered in the near term (generally the first 2-4 years) will require a Business Plan.*

### IV. Business Plan

1. UBO begins work with the sponsor to develop the Business Plan (template available at <http://www.virginia.edu/budget/Cap.html>). The Business Plan will be developed based on the high end of the budget range. **As part of the Business Plan review, the Budget Office will**

## Capital Project Approval Process

**work with the sponsor to identify how future operations and maintenance costs will be covered.**

2. If debt is a potential fund source (including bridge financing for pledges), TOPS will work with UBO and the Sponsor during the development of the business plan. **Following the creation of the business plan, TOPS prepares a Project Credit Analysis, which includes a preliminary analysis of whether tax-exempt funding is appropriate.** To request debt, the sponsor needs to complete a Loan Application (available at <http://www.virginia.edu/treasury/internal.html>).
3. If the sponsor and UBO identify philanthropy as a planned fund source, UBO will request a Private Funding Assessment (template available at <http://www.virginia.edu/budget/Cap.html>) from the Senior Associate VP for Principal Relationship Development to evaluate 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 to consider the potential need for bridge financing. **Discounts for uncollectible pledges should also be incorporated into any projection of gifts to be collected.**
4. UBO will incorporate TOPS's 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 or dean.
5. The UBO will develop materials to present Business Plans to the ERC as a part of final project approval.

## V. Annual Renovation and Infrastructure Plan

1. ERC, and BOV review and approvals are simplified and shortened for projects on the Annual Renovation and Infrastructure Plan (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 \$1 million and \$5 million to be funded from non-general fund cash. Debt or state general funded projects cannot be approved through this expedited process. The respective VP reviews the ARIP in conjunction with the annual operating budget review and submits to UBO by April 1<sup>st</sup> of each year.

*Annually, the ERC will review and approve the full ARIP for recommendation to the Board.*

## VI. Project Approval – Executive Review Committee

1. The ERC will review each project's Business Plan and will consider whether to approve the project proposal for submittal to the Board of Visitors.

*During the biennial update of the MCPP, the ERC will consider the Program in full for recommendation to the Board.*

2. If ERC suggests modifications, Part II Work Group will coordinate changes to each PIF. The respective EVP or designate will communicate modifications to the sponsor.

## Capital Project Approval Process

3. Following approval, UBO will add the project approval to the respective Board committee agendas.

## VII. Board of Visitors Approval

1. Programmatic endorsements are sought from the 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 endorsements can be obtained from the Committee, the Committee Chair, or the Chair's designee. The respective VP staff will develop any needed materials, including write-ups, resolutions, and presentations, for this review. The project sponsor and OAU will assist as needed.
2. The Finance Committee will review the Business Plans and Intent-to-Issue Debt items. UBO and the Treasury Office will develop any needed materials, including write-ups, resolutions, and presentations, for this review.

*During the biennial update of the MCPP, the Finance Committee will consider the Program, including the Debt Capacity Allocation Analysis, in full.*

*As a part of the annual operating budget review, the Finance Committee will review and approve the University's ARIP.*

3. The External Affairs Committee will review the Private Funding Assessments.
4. The Buildings and Grounds Committee will review each project, its scope and budget range and consider approval. UBO will develop any needed materials, including write-ups, resolutions, and presentations, for this review.

*During the biennial update of the MCPP, the B&G Committee will consider the Program in full.*

5. Any time there are two or more items to be considered by both the Finance and B&G Committees a joint meeting of the two committees will be considered.
6. UBO will upload the BOV-approved PIF into the [Capitalplan.org](http://Capitalplan.org) database.

## VIII. Project Formulation Study

1. A Project Formulation Study sets the project's program, scope, and siting. The studies are initiated with Board approval of a capital project and are to be completed prior to the initiation of a project's design phase.

*During the biennial update of the MCPP, projects that will be considered in the first two years of the plan may require a Project Formulation Study.*

## Capital Project Approval Process

2. While the scope of a Project Formulation Study will vary depending on the project scope, studies address two major elements not yet addressed in the project proposal process.
  - a. *Program Development:* The unit is to demonstrate how the project supports its goals by addressing 1) programmatic needs, 2) qualitative/quantitative space needs, 3) space metrics, and 4) peer institution analysis. The product of this effort is a building program.
  - b. *Physical Planning:* Siting studies using the initial building program are conducted by the OAU. If the project involves renovations, FM completes a thorough building assessment, and the OAU assesses historic fabric impacts.
3. Studies for most projects are led by OAU and involve FM, Utilities, and the sponsor. FM takes the lead on studies for Infrastructure projects.
4. With the exception of programmers, project formulation studies typically do not require consultants. There will be situations where architectural or engineering services are needed.
5. Project sponsors are responsible for the costs associated with a Project Formulation Study.
6. Results or pending decisions from the Project Formulation Study will be presented by the OAU to the ERC.

## IX. Post-Approval Administrative Actions

1. ERC reviews BOV-approved projects and determines priority based on consideration of state funding requests, debt capacity allocation, etc.
2. Only projects requesting state general funds are required to be submitted through the formal state processes. For these projects, UBO will develop necessary requests, with assistance from OAU and FM.
3. UBO reviews actions by the Governor and General Assembly Reports to note when authorization is provided for general-fund projects.
4. 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.

*During the state's Six Year Plan cycle, the letter to the Governor and money committee chairs will include those non-general fund projects approved as in the near term of the University's MCPP.*

5. UBO coordinates the update of the [Capitalplan.org](http://Capitalplan.org) database for authorization information and provides information to FM to update PIMS.

## Capital Project Approval Process

6. For projects approved by the Board of Visitors (including ARIP projects), FM prepares HECO-2s; the UBO approves HECO-2s; and FM provides notification to the Department of General Services and the Department of Planning and Budget.
7. UBO coordinates allotment requests to the Department of Planning and Budget for all state-funded projects.
8. UBO coordinates the creation of projects and awards in the Integrated System as needed for new authorized projects.
9. TOPS notifies the Treasurer of Virginia of its intention to issue bonds at the time it adopts the bond issuance planning schedule for those.
10. The Comptroller's Office (Senior Technology Advisor) coordinates update of the [Capitalplan.org](http://Capitalplan.org) database for 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 TOPS.
11. FM will develop a Decision Brief outlining any project budget increases, scope reductions in excess of 10%, or other significant modifications (including ARIP projects). UBO will review each Decision Brief developed by FM to determine the impact on the existing Business Plan and will coordinate with TOPS and Development as needed. Routing for approval of each Decision Brief is outlined on the Decision Brief. See section XI 3 and 4 below for guidance as to when budget or scope changes must be approved by the Board of Visitors.
12. TOPS 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. TOPS will fully execute the loan application that was submitted by the project sponsor in IV.2. The loan agreement will be signed by the VP/CFO and the dean or vice president of the sponsoring area.

## X. Post-Approval ERC Actions

1. Design Phase. A project's design phase may begin only after 1) the project has been approved by the Board of Visitors and/or the State 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 ERC 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 to the ERC. If fundraising is not on schedule, or if it appears that the chances of closing the funding gap are not promising, the ERC may decide to 1) stop the project, 2) continue the project as planned, or 3) reduce its scope.
2. Post Schematic Design Phase. FM, OAU, and sponsor will provide to the ERC a firm project budget at the completion of schematic design for recommendation to the Board of Visitors.
3. 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

## Capital Project Approval Process

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 TOPS for internal debt** to cover short-term financing costs as pledges are collected. Exceptions to this practice can be made by the EVP/COO and the Finance Committee chair approves the beginning of construction.

### XI. Post-Approval BOV Actions

1. The Finance Committee will review and approve any Acquisition Requests. Space and Real Estate Management will develop any needed BOV materials, including write-ups, resolutions, and presentations, for this review.
2. The Finance Committee will review and approve debt actions, including Intent to Issue Bonds and Bond Issuances. TOPS will develop any needed BOV materials, including write-ups, resolutions, and presentations, for this review.
3. The Buildings & Grounds Committee, at the appropriate points, will review and approve Concept, Site, and Design Guidelines, Architect/Engineer Selection, Schematic Designs, Easements, Demolitions, and Deed Restrictions. At the time of the Schematic Design consideration, the Committee will also approve the firm project budget. FM, OAU, and UBO will develop any needed BOV materials, including write-ups, resolutions, and presentations, for this review.
4. The Finance and Buildings & Grounds Committees, or their respective chairs, will review and approve any project budget increase in excess of 10 percent, after the internal review outlined in IX.9. If approved by the Committee Chairs, the full Committee is later notified of these actions. UBO will develop any needed BOV materials, including write-ups, resolutions, and presentations, for this review.
5. The Buildings & Grounds Committee, or its respective chair, will review and approve any scope reductions in excess of 10%. If approved by the Committee Chair, the full Committee is later notified of these actions. UBO and/or OAU will develop any needed BOV materials, including write-ups, resolutions, and presentations, for this review.