

EXECUTIVE SUMMARY

Item Name: Proposed Revisions to ABOR Policy 3-411 “Annual Report on Debt Capacity,” Policy 7-107 “Capital Development Plan,” Policy 7-109 “Project Approval,” and Policy 7-111 “Project Closeout” (First Reading)

Action Item Discussion Item Information Item

Issue: The Board is asked to review at first reading the proposed revisions to ABOR Policy 3-411, Policy 7-107, Policy 7-109, and Policy 7-111. The revisions provide clarification and expand the information submitted to the Capital Committee and the Board in the areas of 1) Debt Reporting, 2) Project Cost Development and Tracking, and 3) Project Delivery Method and Process. The majority of the proposed revisions have been implemented in practice.

Background

- At the direction of the Board, ABOR staff and university staff have been working on revisions to Board capital policies that would improve the information that is submitted by the universities on capital projects. Staff is continuing to work on revisions to Board policy related to Third-Party Financing projects.

Strategic Implications

Debt Reporting

- Revisions to Policy 3-411 require that, in addition to the direct debt issued by each university, the annual Debt Capacity Reports should also include information on capital leases, third-party financing, component unit debt, and any other capital related debt. This information was incorporated in the Debt Capacity Reports. Additional work will continue on developing measures that factor in the different categories of debt.

Project Cost Development and Tracking

- Revisions to Policy 7-107, Policy 7-109 and Policy 7-111 require information on the following:
 - Methodology used to develop initial project budget.
 - Comparison of costs to similar previously approved projects.
 - Verification process for the final project cost.
 - Expected life of buildings.
 - Fund sources to be used to repay financing.
 - Final summary report on project control procedures, including change orders and other tracking items developed with the Central Office.
- These additional requirements have been implemented in practice.

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Project Delivery Method and Process

- Revisions to Policy 7-107 require information on the rationale for the selected project delivery method, including description of the selection process, number of submittals and relevant prior experiences with selected entities.
- The new requirements have been implemented in practice.

Committee Review and Recommendation:

- The Capital Committee favorably reviewed the proposed policy revisions and recommended Board approval.

Recommendation

The proposed revisions to ABOR Policy 3-411 "Annual Report on Debt Capacity," Policy 7-103 "Capital Committee Charter," Policy 7-107 "Capital Development Plan," Policy 7-109 "Project Approval," and Policy 7-111 "Project Closeout," are submitted for first reading.

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3-411 Annual Report on Debt Capacity

- A. Prior to the Board's meeting in September, each university shall provide the Board with an annual report on its debt capacity. The annual report on debt capacity will be submitted with the annual capital improvement plan (see Chapter VII).

- B. IN ADDITION TO INFORMATION RELATED TO DIRECT DEBT ISSUED BY EACH UNIVERISTY AND USED TO CALCULATE THE DEBT RATIO, THE REPORT ON DEBT CAPACITY SHALL ALSO INCLUDE INFORMATION ON CAPITAL LEASES, THIRD-PARTY FINANCING, COMPONENT UNIT DEBT, AND ANY OTHER CAPITAL RELATED DEBT.

7-107 Capital Development Plan

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- C. Phase Description:
 - 1. Capital Development Plan Approval focuses on strategic planning perspective and shall be based on:
 - a. The mission, strategic plan, and master plan of the university;
 - b.
 - c. Advance planning such as the initial development of a facility program and/or architectural program that justifies the project; and
 - d.
 - e. The preliminary total cost including sources and uses of funds.

 - 2. Each project submitted for Capital Development Plan Approval shall include a concise Project Justification Report to the Board. This Project Justification Report shall be developed in cooperation with the Central Office to ensure materials address the needs of the Capital Committee and the Board. The Project Justification report should justify the need for the project based upon the university's mission, strategic plan, and other supporting documentation. The Project Justification Report shall include the following information:
 - a. Project need
 - b. Programming and design costs, and exceptions (if required), to achieve project implementation

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- c. Estimated project scope and cost, INCLUDING EXPECTED USEFUL LIFE OF THE PROJECT
- d. METHODOLOGY USED TO DEVELOP THE TOTAL PROJECT COST AND COMPARISON OF COST TO OTHER SIMILAR PREVIOUSLY APPROVED PROJECTS AND COMPLETED PROJECTS FROM THE DATABASES ESTABLISHED PURSUANT TO BOARD POLICY 7-110 B.4 (PROJECT CONTRUCTION, UNIVERSITY PROCEDURES), INCLUDING AN EXPLANATION OF SIGNIFICANT COST DIFFERENCES FROM THE COMPARABLE PROJECTS
- e. RATIONALE FOR THE SELECTED PROJECT DELIVERY METHOD, INCLUDING INFORMATION ON THE SELECTION PROCESS, THE NUMBER OF SUBMITTALS RECEIVED FOR EACH CONTRACTED ACTIVITY OF THE DELIVERY METHOD, AND ANY PRIOR EXPERIENCE WITH SELECTED ENTITIES
- f. IF APPLICABLE, RATIONALE FOR SEEKING LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED) CERTIFICATION, INCLUDING ESTIMATED COSTS FOR ACHIEVING CERTIFICATION
- dg. Conformance with space guidelines
- eh. Conformance with university missions, strategic plans, campus master development plans, and plans for community input
- fi. Fiscal Management Plan: How the universities intend to fund the project, including annual debt service and THE IMPACT TO THE FUND SOURCES THAT WILL PAY THE DEBT SERVICE, AS WELL AS annual operations and maintenance costs
- gj. Backfill Plan: The universities should identify potential programs, functional uses, or non-use (e.g., demolition of a building) of the space that is released as a result of the project
- hk. Alternatives to Project: Explain what alternatives to the project were investigated, and why they were not selected. These alternatives can include, but not be limited to:

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- (1) Whether the program could be accommodated in existing space (e.g., rescheduling, more efficient use of space)
 - (2) Whether the program could be accommodated in off-campus lease space
 - (3) Consider if the space could be constructed in partnership with the private sector
- ii. Description of other related projects including relating infrastructure improvements.

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7-109 Project Approval

- A. Applicability: The Project Approval Phase will be used for those projects granted Project Implementation Approval by the Board.
- B. Phase Description:
 1. The purpose of the Project Approval phase is to allow for review of updated project information and data as the university initiates the bidding and construction process.
 2. Project Approval shall include the following steps:
 - a. Information and data presented in the Project Implementation Approval document is revised where necessary.
 - b. Construction documents are near completion.
 - c. Bid advertising date is established for projects utilizing the design/build process; or a guaranteed maximum price has been obtained utilizing the design/build or construction manager-at-risk process.
 - d. INFORMATION ON THE FINAL TOTAL PROJECT COST ESTIMATE, INCLUDING THE INDEPENDENT COST VERIFICATION PROCESS.
 - e. Project Approval documents are transmitted to the Central Office and reviewed with the university.
 3. Level of Board Review

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- a. Projects with a total project cost between Two Million Dollars (\$2,000,000) and Twenty Million Dollars (\$20,000,000) may be granted project approval by the Capital Committee based upon the budget, schedule, scope, and other considerations as warranted. At the Committee's discretion, any project approval request may be presented to the Board as circumstances warrant
- b. Projects with a total project cost of greater than \$20 million should be reviewed by the Capital Committee and approved by the Board

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7-111 Project Closeout

A. Phase Description:

1. The Project Closeout phase shall include following steps:
 - a. Universities inspect completed facilities. Certificate of Substantial Completion is issued. A list of incomplete and nonconforming tasks (punch list) is developed.
 - b. Once all incomplete and nonconforming tasks have been completed, the university may issue final acceptance documents.
 - c. Universities make final payment to consultants and contractors.
 - d. Universities formally evaluate the performance of consultants and contractors and review project results.
 - e. Universities transmit to the Central Office completed project information in the Quarterly Project Status Report and Report for Substantially Completed Projects. The Report for Substantially Completed Projects along with a copy of the Certificate of Substantial Completion shall be submitted with the Quarterly Project Status Report after award of the Certificate of Substantial Completion. If the project is not fiscally complete at that time, estimates of the cost of outstanding items or claims, and the anticipated schedule for fiscal completion shall be summarized in the comments section of the completion report.

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- f. AT SUBSTANTIAL COMPLETION, THE UNIVERSITY SHALL ALSO INCLUDE A SUMMARY REPORT ON PROJECT CONTROL PROCEDURES, INCLUDING CHANGE ORDERS AND ANY OTHER TRACKING ITEMS DEVELOPED IN COOPERATION WITH THE CENTRAL OFFICE TO ENSURE MATERIALS ADDRESS THE NEEDS OF THE CAPITAL COMMITTEE AND THE BOARD.

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