VII. STANDING COMMITTEES

B. Finance and Asset Management Committee

UW One Capital Plan

INFORMATION ITEM

This item is being presented for information only.

This is a standing agenda item.

In addition to the standard One Capital Plan update, one additional item is being added for discussion at the request of the Chair of the Finance and Asset Management Committee.

1. A report on the Capital Planning process at the University of Washington.

This item will be presented for Regent feedback and discussion. More details for this item are included in the attachment.

Attachment
Capital Planning at the University of Washington
Capital Planning at the University of Washington

This document is intended to explain the process by which the University and Board of Regents authorizes the physical development of the university.

Process goals:
- Ensure controls are in place → establish and standardize processes
- Ensure capital plan is in place → establish and update One Capital Plan
- Manage & implement the plan → prioritize projects and identify funding or financing → establish project budget and manage to the plan

Board of Regents Capital Projects Review & Approval Process

Types of projects:
Minor capital repairs and program renewal (estimated at $2 million or less)

The UW relies on a combination of local and state appropriated funds for minor capital projects, which are included in the One Capital Plan. Minor capital projects include building repairs and deferred maintenance as well as improvements to support program initiatives and to improve space utilization.
Planning & Management works with Facilities Services, UWIT (Information Technology) and EH&S (Environmental Health and Safety) to identify, prioritize, and coordinate the implementation of these projects to ensure that limited resources are invested effectively to meet the most critical needs of the University.

- Minor projects under $90,000 are carried out by Facilities Services Maintenance & Alterations
- Minor projects greater than $90,000 are carried out by Capital Projects Office

Schools and Colleges rely solely on local funds and Provost allocation (distributed each biennium) for program renewal projects (see list below). This work occurs throughout the biennium.

Examples of minor preservation projects:
- Utilities/grounds/site work (heating, cooling, sewer, irrigation)
- Building improvement (building envelope, roofing, window replacement)
- Interior, security, and conveying systems (elevators, lighting)
- Building systems (electrical, mechanical)
- ADA improvements (handrails, wheelchair access)
- Fire and life safety improvements
- Technology infrastructure improvements
- Classroom improvements

Examples of minor program renewal projects:
- Office remodels and reconfigurations
- Instructional and research lab modernization
- Major equipment acquisition and installation

Major capital projects

A major capital project is a public works project estimated at over $2 million.

Delegated authority by Board of Regents is given to the President or the President's designee to execute capital projects less than $15 million (Board of Regents Governance, Standing Orders, Chapter 1, Delegation of Authority, Section 6.F)

Per policy, major capital projects over $15 million go to the Board of Regents for approval on an individual project basis.

Board of Regents Level Capital Projects Roles and Responsibilities

This process applies to all University of Washington capital projects in excess of $15 million (construction, renovation, or acquisition).

<table>
<thead>
<tr>
<th>Roles and Responsibilities</th>
<th>Board of Regents</th>
<th>Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Establish capital plan (list of projects/costs)</td>
<td>Information</td>
<td>X</td>
</tr>
<tr>
<td>2 Prioritize projects (with decision criteria)</td>
<td>Information</td>
<td>X</td>
</tr>
<tr>
<td>3 Approve priorities/projects with budgets</td>
<td>Action</td>
<td></td>
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<td>4 Execute/implement decision</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>5 Manage to the plan (i.e. stay on budget)</td>
<td>Information</td>
<td>X</td>
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Institutional Strategy and Project Prioritization

The One Capital Plan (OCP) summarizes major proposed capital needs, aggregated minor capital needs and key planning initiatives over a ten year period for all UW enterprises, including UW Seattle, UW Bothell, UW Tacoma, UW Auxiliary Units (Educational Outreach, Housing and Food Services, Intercollegiate Athletics, and Transportation Services), and UW Medicine.

The OCP is updated annually and shared with the Board each May/June. OCP is designed to be comprehensive, but is flexible to allow for opportunistic real estate purchases or gift funded projects that may not be known when the OCP is presented.

- Projects are identified
  - Individual projects are proposed and prioritized by each school, college and the UW enterprise
  - Planning & Management identifies and initiates institutional planning initiatives, major infrastructure and core facility requirements on behalf of the institution (i.e. HR/Payroll Modernization, the UW Police Department, the SW Central Utility Plant, Landscape Framework, academic facilities plans, geographic area plans, site selections, project feasibility studies)

- Projects are categorized into 3 tiers:
  1. Fundamental Projects
  2. Proposed Projects – Funding Potential
  3. Proposed Projects – Future Funding Opportunities (represents additional capital needs that extend beyond capital funding expectations within the next ten years)

- Projects are prioritized by Planning & Management in consultation with the President and Provost using the following criteria:
  - Alignment with Campus Master Plan and University Strategic Plan
  - Funding
  - Urgency of Need
  - Timing
  - Future areas of growth

- Top priority projects brought forward to Regents as part of the annual Capital Budget in June of each year
  - Materials included:
    - Executive summary (project description, site, estimated budget, source of funds, approach, delivery mechanism)
    - Will this work for the Board? What else is needed?
    - Example/Case study: Nano ES

Board of Regents Information Items & Actions

Stage 1

Information
- Institutional opportunities
  - Growth needs
  - Strategic opportunities
  - Replacement needs
  - Aligns with UW, schools and colleges’ goals
  - Fit within UW mission and vision
  - Student, faculty, innovation, clinical needs
  - Potential partnerships
  - Benchmarks

- Estimated budget and cost analysis
  - Opportunity cost analysis (evaluate alternatives)
  - Target to median cost – cost of similar construction at other universities/type of construction
  - Square foot cost/ local conditions (Stanford)
  - Unique characteristics with unusual cost implications (example: constructability issues of site/area, unusual program requirements, fund source constraints, etc.)
  - Operational budget impact (maintenance and operations total cost of ownership) – how will it be paid for?

- Preliminary business case analysis
  - Lease vs. buy analysis wherever feasible
  - Funding Sources
    - Debt
    - State funds
    - Philanthropy
    - Institutional equity
  - New revenue that may be generated or existing revenue that may be used

- Naming Plan

**Actions Needed**
- Approve preliminary site
- Approve architect
- Approve contractor
- Approve pre-construction budget
  - Pre-design
  - Design
  - Construction
  - Tenant Improvement (T/I) build out
  - Contingency
  - Escalation (with scaled assumptions)
  - Operational impact
    - Maintenance and operations
    - Who pays (state, auxiliary, provost?)

**Stage 2**

**Information**
- Schematic design of the project
- Timeline


- Benchmarks

Actions Needed
- Approve final site (after Environmental Impact Statement)
- Approve project budget (if cost is more than 10% of original budget, include rationale)
- Approve funding plan and use of the ILP (if needed)
  - Final sources and uses
  - Institutional debt capacity analysis
  - Credit analysis
    - Base Case 10-Year pro forma projections
    - Stress case and mitigations

February 28, 2015
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