

Funding & Approvals of Capital Projects

U of M System - Administrative Policy

<http://www.policy.umn.edu/Policies/Finance/Budget/FUNDINGPROJECTS.html>

Understanding Capital Funding & Approval Process

- We are here today because
 - BRIDGE members:
 - represent academic deans and other college leadership
 - convey facilities related information or needs to FM & U Services
 - communicate information back to colleges
 - BRIDGE members are important because you may:
 - help prepare for capital project planning
 - recognize how capital project discussions and policy relates
 - be responsible for completing Capital Request Forms

Background

Administrative policy implements two Board of Regents policies that direct capital project processes

Implements Minnesota Management and Budget policy regarding use and obligation of Bond proceeds to fund staff costs (2009)

Consultation:

- Debt Oversight Group
- Senate Committee on Finance and Planning
- Capital Planning and Project Management
- Capital Oversight Group
- Policy Advisory Committee

Administrative policy was approved by the President's Policy Committee in June, 2012

Board of Regents Policies

Six Year Capital Plan: Capital projects approved to proceed with preliminary project planning. Plan is revisited and revised annually.

- Projects are **not** authorized to proceed with design / construction

Annual Capital Improvement Budget: Includes all capital projects—*systemwide and regardless of funding source* – with total project costs (design, construction, fees, etc.) greater than \$500,000. The projects must meet these criteria:

- Projects must have pre-design completed by CPPM
- Projects must have all funds in plant acct or an approved finance agreement
- Projects must be ready to proceed into design and construction

The Annual Capital Budget identifies capital projects which **are** authorized to proceed

- If a project meets these criteria, but was **not** included in the Annual Capital Improvement Budget, it must be brought before the BOR Facilities Committee as Capital Budget Amendment (*not preferred – this is a two month process*)

Important Definitions

Capital Projects generally fall into one of three broad categories:

- Demolition of existing buildings and infrastructure
- New construction including whole building, building additions and infrastructure
- Renovation or renewal of existing facilities and infrastructure

Capital Request

- The process by which the University seeks bonding funds from the State of Minnesota legislature for design and construction projects.

Capital Project Contracts

- Construction and management of facilities - including alteration, renovation, improvement and maintenance of buildings, equipment and systems.
 - Includes contracts with architects or for pre-design services

Capital Project Funding

Prior to initiating work, capital projects with a value of \$500,000 or greater must have:

- 100% of the funds in appropriate plant fund

OR

- Signed Finance Agreement

Capital Projects with a value of \$500,000 or less must have:

- 100% of the funds in a plant fund

In Kind Gifts ***cannot:***

- Include design services
- Be counted as part of project funding sources

Capital Project Approvals

Only the Vice President for University Services and specified designees are ***authorized to sign contracts related to Capital Projects***

- Chancellors, Deans, VPs etc., *are not delegated* “signature” authority
- They have may have “approval” authority



Managing Capital Projects

All Capital Projects - *throughout the University of Minnesota system* - must be managed in the CPPM project management system

- Exceptions will be considered in *rare circumstances*
 - Exceptions must be based on business need
 - Exceptions approved by the AVP of CPPM

Fundraising Requirements

To focus on priorities, fundraising is ***only allowed*** when:

- Project has been approved and included in the Six Year Capital Plan
- **AND**
- pre-design has been *developed by CPPM* and ***approved*** by the Capital Oversight Group
- Exceptions will be considered in rare circumstances
 - approved by VP and CFO

Project Expenses & Reporting

University personnel billed onto projects under very limited conditions

All Capital Projects – systemwide and regardless of funding source – are required to keep track of internal staffing costs directly attributable to capital projects on an **hourly basis** by individual