

Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:¹

ACTION ITEM

For Meeting of January 22, 2015

AMENDMENT OF POLICY ON APPROVAL OF DESIGN, LONG RANGE DEVELOPMENT PLANS, AND THE ADMINISTRATION OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, AND AUTHORIZATION OF THE PRESIDENT OF THE UNIVERSITY TO IMPLEMENT THE PILOT PHASE OF THE DELEGATED PROCESS FOR CAPITAL IMPROVEMENT PROJECTS

EXECUTIVE SUMMARY

The pilot phase of the Delegated Process for Capital Improvement Projects (Delegated Process), adopted by the Regents in 2008 to increase campus autonomy for certain capital projects ends on March 31, 2015.

This proposed action extends the pilot phase of the Delegated Process by two years to March 31, 2017, makes conforming change to *Regents Policy 8102: Policy on Approval of Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act*, and delegates authority to the President of the University to implement the pilot phase of the Delegated Process consistent with amended Standing Order 100.4: Duties of the President of the University and consistent with *The Program Parameters for the Pilot Phase of the Delegated Process for Capital Improvement Projects*, thereby replacing the Guidelines for Implementation of the Pilot Phase of the “Process Redesign for Capital Improvement Projects” approved by the Regents in 2008.

A companion item to extend the pilot phase by two years by amending Standing Order 100.4: Duties of the President of the University, involving capital project budget and external financing approvals will be considered by the Committee on Governance. Additionally, the Governance item proposes to raise the \$60 million Delegated Process approval threshold to \$70 million.

The amendments to Regents Policy 8102 would become effective upon final approval of the amendments to the Standing Order, which is anticipated to occur at the March 2015 Regents meeting.

¹ Of interest to the Committee on Governance and the Committee on Health Services

RECOMMENDATION

The President of the University recommends that the Committee on Grounds and Buildings recommend that, upon final approval of the related amendments to Standing Order 100.4: Duties of the President of the University, the Regents:

1. Amend *Regents' Policy 8102: Approval of Design, Long Range Development Plans and the Administration of the California Environmental Quality Act* as shown in Attachment 1, to be effective upon final action approving the related amendments to Standing Order 100.4.
2. Rescind the Guidelines for Implementation of the Pilot Phase of the "Process Redesign for Capital Improvement Projects" adopted by the Regents in September 2008, as shown in Attachment 2.
3. Authorize the President to implement the Delegated Process consistent with *Program Parameters for the Pilot Phase Delegated Process for Capital Improvement Projects* as shown in Attachment 3.

BACKGROUND

In March 2008, the Regents accepted the report of the Capital Projects Working Group, representing the framework for the Delegated Process, and authorized an 18-month pilot phase (referred to variously as "Pilot Phase of Redesigned Process," "Redesigned Process," and "Pilot Phase of Process Redesign," and referred to herein as "pilot phase" of the Delegated Process) to implement the new delegated process for capital improvement projects. Following that action by the Regents, an Implementation Team reporting to the Executive Vice President for Business Operations was appointed in May 2008 to consider and resolve issues related to the initiation of the new program, to establish guidelines for participation in the pilot phase, and to facilitate implementation of the pilot phase. The implementing guidelines for the pilot phase of the Delegated Process were approved by the Regents at the September 2008 meeting (Attachment 2).

To participate in the pilot phase and submit projects under the Delegated Process, campuses and medical centers were required to submit two new plans for Regents' acceptance: a *Ten-Year Capital Financial Plan* (CFP) and a *Physical Design Framework* (PhDF). During the pilot phase, the ten campuses each completed and submitted for Regents' acceptance, their *Ten-Year CFPs* and *PhDFs*. These documents, in conjunction with the campus' strategic plan and approved Long Range Development Plan (LRDP), demonstrate an integrated academic, physical, and financially feasible capital planning framework. The two new plans and the campus' LRDP together provide the Regents with a comprehensive understanding of the framework and process that guide long-term programmatic, physical development, and financial strategies being implemented at each campus. The Regents delegated to the President, who re-delegated to the chancellors, the authority to approve the budgets and designs of eligible projects for budgets up to \$60 million, and make any related California Environmental Quality Act (CEQA) determinations.

Through the use of the guidelines and related documents, and as required under the Delegated Process, chancellors attest to a project's eligibility under the Delegated Process, and submit documentation for a 15-day review by the Office of General Counsel for compliance with CEQA, and the Office of the President for financial feasibility of securing debt and policy-related risks. Based on the results of these reviews, the Office of General Counsel (for CEQA only) or the Executive Vice President – Chief Financial Officer affirm the following: the project is eligible for the Delegated Process; Regents' review is not required; and the Chancellor may approve the project on a delegated basis.

In January 2010, the pilot phase was extended an additional year to March 2011. By November 2010, the ten campuses had their initial *Ten-Year Capital Financial Plans* and *Physical Design Frameworks* accepted by the Regents and those campus entities were approved to participate in the delegated process. In January 2011, the pilot phase was extended to March 2014. In January 2014, the Regents extended the pilot phase for another year to March 2015 in order to provide time for a sufficient number of projects to produce data to evaluate the effectiveness of the process.

In November 2014, the Committee on Grounds and Buildings received a comprehensive presentation on the Delegated Process for capital improvement projects and documents related to the process: *Delegated Process User Guide*, *Guidelines for Minor Amendments to Campus Physical Design Frameworks*, *Delegated-Authority Project Certification Checklist*, and *Pilot Delegated Process for Capital Improvement Projects Report*. At that meeting, the Committee on Grounds and Buildings stated their support for an extension to the pilot phase. A detailed discussion of the Delegated Process and the projects approved under the process was included in the *Pilot Delegated Process for Capital Improvement Projects Report*.

Implementation

In September 2008, the Regents approved implementing guidelines for the pilot phase of the Delegated Process (Attachment 2). The guidelines provided a set of requirements for the *Ten-Year Capital Financial Plan*, *Physical Design Framework*, and *Delegated-Authority Project: Certification Checklist*. During the pilot phase, the ten campuses each completed and submitted for Regents' acceptance, their *Ten-Year Capital Financial Plan* and *Physical Design Framework*.

Subsequent to the September 2008 action, the implementation guidelines have been informed by experience with the pilot process, and further refined. The revised guidelines, *Program Parameters for the Pilot Phase of the Delegated Process for Capital Improvement Projects (Program Parameters)* are provided in Attachment 3. This item seeks to delegate authority to the President of the University to implement the Delegated Process consistent with these *Program Parameters*. Draft Presidential Policies for Implementation of the Pilot Phase of the Delegated Process are included in Attachment 4.

Standing Order 100.4 - Duties of the President

A related item to extend the pilot phase by two years by amending Standing Order 100.4: Duties of the President, involving capital project budget and external financing approvals will be considered by the Committee on Governance at its January 2015 meeting.

Additionally, the Governance item proposes to raise the \$60 million Delegated Process approval threshold to \$70 million. The \$60 million threshold was established in 2008 with an associated California Construction Cost Index (CCCI) of 4999. The December 2014 CCCI is 5959, a 19.2 percent increase since 2008. If the Delegated Process threshold was based on the current CCCI, the rounded dollar threshold would increase to \$70 million. For augmented projects resulting in a total project cost in excess of \$70 million, the augmented project shall be approved by the Regents.

Key to Acronyms

CCCI	California Construction Cost Index
CEQA	California Environmental Quality Act
CFP	Capital Financial Plan
LRDP	Long Range Development Plan
PhDF	Physical Design Framework

ATTACHMENTS:

- Attachment 1: Regents Policy 8102: Policy on Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act.
- Attachment 2: 2008 Proposed Guidelines for Implementation of the Pilot Phase of the “Process Redesign for Capital Improvement Projects”
- Attachment 3: Program Parameters for the Pilot Phase of the Delegated Process for Capital Improvement Projects
- Attachment 4: Draft Presidential Policies for Implementation of the Pilot Phase of the Delegated Process

Additions shown by underscoring; deletions shown by strikeout

Regents Policy 8102: POLICY ON APPROVAL OF DESIGN, LONG RANGE DEVELOPMENT PLANS, AND THE ADMINISTRATION OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

Approved July 16, 1993;

Amended and Renamed January 16, 2003;

Amended September 18, 2008, January 21, 2010, January 20, 2011 and January 23, 2014

- (1) The Regents designate the following categories of projects as requiring design approval by the Committee on Grounds and Buildings:
 - a. ~~Except as provided in subparagraph (e)~~ Building ~~building~~ projects with a total project cost in excess of \$10,000,000, except when such projects consist of the following:
 - i. alterations or remodeling where the exterior of the building is not materially changed;
 - ii. buildings or facilities located on agricultural, engineering or other field stations; or
 - iii. agriculture-related buildings or facilities located in areas of a campus devoted to agricultural functions.
 - b. Capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by the Regents because of budget matters, fundraising activities, environmental impacts, community concerns, or other reasons.

- (2) ~~e. This paragraph shall apply exclusively to eligible capital projects for those campus entities approved by the Committee on Grounds and Buildings for inclusion in the pilot phase of the Delegated Process for Capital Projects. The President of the University is authorized to approve the project's design. Building projects for those campuses approved by the Committee on Grounds and Buildings for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects with a total project cost in excess of \$60 million subject to the same exclusions as subparagraph (a). This subparagraph shall become inoperative and is repealed on March 31, 2017~~ March 31, 2015, unless later Regents' action, that becomes effective on or before March 31, 2017 ~~March 31, 2015~~, deletes or extends the date on which it becomes inoperative and is repealed.

2008 RECOMMENDATION

The President recommends that the Committee on Grounds and Buildings recommend to the Regents that, following service of appropriate notice:

* * *

B. — ~~Following Temporary Amendment of the Standing Orders and Regental Policy, if approved, Approval of Proposed Guidelines for Implementation of the Pilot Phase of the “Process Redesign for Capital Improvement Projects”:~~

~~Approval of the following guidelines for campus participation in the “Process Redesign for Capital Improvement Projects” to provide a set of linked design and capital financial documents enabling the Regents to provide portfolio-level oversight of capital projects effectively. The Implementation Team anticipates that additional guidelines for implementation may be identified as it continues its work; when these are developed, they will be shared with the Committee on Grounds and Buildings for its information at a future meeting.~~

- ~~(1) Each campus’ Ten-Year Capital Financial Plan will be a stand-alone portfolio document not requiring additional commentary or explanation and will describe a financially feasible capital program, how it relates to academic and strategic priorities, and the financing strategies that will be used to implement the Plan. Each campus Ten-Year Capital Financial Plan will be reviewed and approved by the Regents.~~
- ~~(2) Chancellors will have authority to change the scheduling of individual projects identified within the Ten-Year Capital Financial Plan and to augment the budget of a project included in the pilot phase insofar as the project and the overall portfolio of projects remain financially feasible and the total project budget does not exceed \$60 million.~~
- ~~(3) Chancellors will report annually to the President any changes or updates to their Ten-Year Capital Financial Plans. These data will be included in a University-wide annual report to the Regents.~~
- ~~(4) Each campus’ Physical Design Framework will be reviewed and approved by the Regents in coordination with the campus Long Range Development Plan (LRDP) and will be a comprehensive report identifying the campus’ principles and objectives for the design of the physical environment, how they relate to the campus LRDP, and how they are integrated into project planning and design. For the pilot phase, the Physical Design Framework should be approved with the campus’ Ten-Year Capital Financial Plan. Minor amendments to the Physical Design Framework may be~~

~~approved by the President, based on guidelines to be developed. When these guidelines are refined, they will be shared with the Committee on Grounds and Buildings for its information at a future meeting.~~

- ~~(5) The Regents will approve a template for a “checklist” to be used for project evaluation and documentation.~~
- ~~(6) For State funded projects, the pilot phase of the redesign process will be limited to CEQA approval and design review. Campuses must continue to follow all procedures established by the State relating to the approval of project scope, budget and schedule. See Attachment B. (“Proposed Guidelines for Implementation of the Pilot Phase of the Process Redesign for Capital Improvement Projects.”)~~

**PROGRAM PARAMETERS FOR THE PILOT PHASE OF THE DELEGATED
PROCESS FOR CAPITAL IMPROVEMENT PROJECTS**

The following *Program Parameters for the Pilot Phase of the Delegated Process for Capital Improvement Projects* outlines a set of integrated campus plans and reporting enabling the Regents to provide effective portfolio-level oversight of capital projects. Additional guidelines for implementation and monitoring of the Delegated Process may be identified; when these are developed, they will be shared with the Committee on Grounds and Buildings for its information at a future meeting.

For State-funded projects, the Delegated Process will continue to be limited to design review and any California Environmental Quality Act determinations. Campuses must continue to follow all procedures established by the State relating to the review and approval of project scope, budget, and schedule.

Capital Financial Plan

- (1) Each campus entity requesting to have projects approved via the Delegated Process will be required to submit a *Ten-Year Capital Financial Plan*. The Plan is a stand-alone portfolio document not requiring additional commentary or explanation and will describe a financially feasible capital program, how it relates to academic and strategic priorities, and the financing strategies that will be used to implement the Plan. The Plan is reviewed by the President of the University and accepted by the Regents.
- (2) Chancellors will report annually to the President or designee any changes or updates to the campus' *Ten-Year Capital Financial Plan*. These updates will be consolidated in the University's *Ten-Year Capital Financial Plan* and presented to the Regents for acceptance annually.

Physical Design Framework

- (3) Each campus prepares a *Physical Design Framework* that describes the campus' principles and objectives for the design of the physical environment, how these relate to the campus Long Range Development Plan, and how they are integrated into project planning and design, including descriptions of campus planning and design approval processes for capital projects. A Physical Design Framework comes into effect upon the acceptance of the Regents. A Physical Design Framework must be consistent with the Long Range Development Plan, and capital projects must be consistent with the Physical Design Framework. A campus may, if it elects, have separate Physical Design Frameworks for locations that are physically separated, and that may have separate Long Range Development Plans.

Project Checklist

- (4) The *Delegated-Authority Project: Certification Checklist* provides the chancellor with a mechanism to attest that a project is consistent with the applicable campus plans and otherwise meets the criteria for the Delegated Process; and the project adheres to all applicable laws, regulations, and University and Regents policies.
- (5) Anticipating that the form of the Checklist will undergo modifications and refinement, the President of the University shall continue to have the authority to develop, and revise, as necessary, the project checklist.

Reporting

- (6) The *Annual Report on Major Capital Projects Implementation* will provide the Regents with information, generally quantitative, which evaluates the implementation of goals for the capital program established by the Regents. By documenting the campuses' response to both Regents and systemwide priorities, the annual report will enable accountability to the Regents and the President of the University. This report will include a section with detailed reporting on projects implemented with the Delegated Process.

DRAFT
PRESIDENTIAL POLICIES FOR IMPLEMENTATION
OF THE PILOT PHASE OF THE DELEGATED PROCESS

Capital Financial Plan

- (1) Chancellors have the authority to change the scheduling of individual projects identified within the *Ten-Year Capital Financial Plan*.
- (2) Minor amendments to the campuses' *Ten-Year Capital Financial Plan* may be approved by the President of the University, based on published guidelines as amended from time to time. These guidelines referenced in the *Delegated Process User Guide*.
- (3) Chancellors may augment the budget of a project insofar as the limitations set forth in the Standing Orders 100.4: Duties of the President of the University related to budget and external financing of capital projects, delegations of authority by the President of the University, and in the *Delegated Process User Guide*, as amended from time to time. The augmented project and the overall portfolio of campus' projects as accepted by the Regents must remain financially feasible.

Physical Design Framework

- (4) Minor amendments to the *Physical Design Framework* may be approved by the President, based on *Guidelines for Minor Amendments to Campus Physical Design Frameworks*, as may be amended from time to time.

Project Checklist

- (5) Chancellors may delegate execution of the *Delegated-Authority Project: Certification Checklist* to a sole designee who is vested with the authority for the campus' capital program and has the ability to speak on the Chancellor's behalf.