



UT System Administration Policy Library – Policy UTS168

CAPITAL EXPENDITURE POLICY

Responsible Officer: Executive Vice Chancellor for Business Affairs
Sponsoring Office: Office of Business Affairs
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Exempted from Standard Policy Development Process By: Vice Chancellor Tonya Brown
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POLICY STATEMENT

The UT System requires that all institutions provide in-depth analysis of capital expenditures included in the Capital Improvement Program (CIP). All System Administration offices shall work collaboratively to provide assistance to the institutions in their endeavor to appropriately analyze Projects.

The purpose of the Capital Expenditure Policy is two-fold: (1) provide the institutions guidance in the capital expenditure process, from Project approval to Project closure; and (2) provide System Administration a uniform method for documenting the full capital expenditure lifecycle so that capital expenditure activity can be effectively communicated to the Board of Regents (BOR).

Compliance with this Policy requires compliance with the Project Lifecycle Process and accompanying guidelines, as set out in the Procedures section of this Policy.

RATIONALE

All UT System institutions complete an annual Master Plan 1 (MP1), a reporting tool required by the THECB and Bond Review Board (BRB). The MP1 is a Project plan summarizing facilities-related projects for the succeeding five years, including land acquisitions.

Similarly, all UT System institutions are periodically required to update the Capital Improvement Program (CIP), a reporting tool maintained by OFPC. The CIP is a Project plan summarizing facilities-related Projects for the succeeding six years, excluding land acquisitions. Historically, the CIP was formally updated and adopted by the BOR every two years; however, in practice the document is updated frequently throughout the year via off-cycle revisions approved at quarterly BOR meetings. The CIP reporting threshold is \$4 million or greater for new construction and repair and rehabilitation, unless the Project is funded in any part with debt, in which case the Project is reported in the CIP regardless of the threshold. LERR and STARS are separately approved by the BOR and are not included in the CIP.

SCOPE

All institutions and UT System Administration.

WEBSITE ADDRESS FOR THIS POLICY

<http://www.utsystem.edu/policy/policies/uts168.html>

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Policies & Standards
Board of Regents' Rules and Regulations Rule, 80301	Texas Public Funds Collateral Act
Board of Regents' Rules and Regulations Rule, 80303	Texas Government Code Chapter 2257
Board of Regents' Rules and Regulations Rule, 80402	Texas Occupations Code Chapter 162.001
Board of Regents' Rules and Regulations	Texas Constitution Article 7, Sec. 17 and Sec. 18
Board of Regents' Rules and Regulations	

Rule, 80403	
Board of Regents' Rules and Regulations Rule, 80404	

CONTACTS

If you have any questions about UT System Administration Policy UTS 168 Capital Expenditure Policy, contact the following office(s):

Office	Telephone	Email/URL
OFPC	512-499-4600	http://www.utsystem.edu/fpc
Office of Finance	512-499-4374	http://www.utsystem.edu/fin

DEFINITIONS

Accuracy Factor: Degree to which a cost estimate is expected to err from the final cost schedule. The Accuracy Factor is expected to be 1.60 or better for Conceptual Estimates and 1.10 or better for Control Estimates. For example, a Conceptual Estimate of \$100 is not expected to err beyond a minimum of \$62.50 and a maximum \$160, and a Control Estimate of \$100 is not expected to err beyond a minimum of \$91 and a maximum of \$110.

Agenda Database: Web-based tool by which the Board Office organizes all agenda items that go to the BOR for approval.

Auxiliary Enterprises Balances: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of balances that have accumulated from the collection of revenues or fees for such enterprises as student housing, student unions, parking facilities, and recreational facilities.

Available University Fund (AUF): Defined by the Texas Constitution to consist of distributions from the "total return" on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund lands.

Bond Review Board (BRB): All debt issued by the State or its agencies for New Construction Projects greater than \$250,000 must be approved by the BRB unless otherwise exempt. The BRB also reviews the annual MP1 in conjunction with its annual Capital Expenditure Plan (CEP).

Board of Regents (BOR): The University of Texas System Board of Regents. BOR approval is required for any Project, as defined by this Policy.

Capital Improvement Program (CIP): The CIP is a six-year projection of Major Projects.

Cash Requisition Form: OFPC document used to request reimbursements for debt funded Projects.

Conceptual Estimate: Preliminary cost estimate used to establish budget for proposed Project. The Conceptual Estimate (in conjunction with the Control Estimate) generally will serve as a basis for the Total Project Cost (TPC).

Control Estimate: Cost estimate established during design development and used to manage Projects. It is often developed jointly by OFPC Project Management and external parties such as design professionals and construction firms. The Control Estimate (in conjunction with the Conceptual Estimate) generally will serve as a basis for the Total Project Cost (TPC).

Conceptual Schedule: Preliminary schedule dates used to establish proposed milestones for the Project.

Control Schedule: Construction schedule established during design development and used to manage Projects. It is often developed jointly by OFPC Project Management and external parties such as design professionals and construction firms.

Design/Development approval (DD Approval): For New Construction Projects (or Repair & Rehabilitation Projects that are architecturally or historically significant), DD Approval is granted by the BOR. For Repair & Rehabilitation Projects that are *not* architecturally or historically significant, DD Approval is granted by the Chancellor, unless the Project is Institutionally Managed, in which case DD Approval is granted by the institution President. In all cases, DD Approval occurs subsequent to the BOR meeting at which the Project was added to the CIP.

Debt Capacity Ratios: Three key financial ratios calculated by the Office of Finance: Debt Service Coverage (DSC), Debt Service-to-Operations, and Expendable Resource-to-Debt. All three ratios are generally calculated based on the institution's updated six-year forecast, with the exception of DSC, which can be calculated based on the Project-specific pro forma if the Project is revenue-generating (e.g., student housing, parking). In order to receive debt capacity approval, the institution must generally meet two out of three minimum standards, as established by the Office of Finance, or the Project itself must meet a minimum DSC standard.

Debt Service Coverage (DSC): Debt Capacity Ratio that measures actual margin of protection for annual debt service payments from annual operations. DSC is calculated by taking the sum of annual operating surplus (or deficit), plus depreciation expense, plus interest expense, divided by total of principal and interest payments. It is reflected as a times (x) coverage.

Debt Service-to-Operations: Debt Capacity Ratio that measures peak debt service burden on the annual operating budget. It is calculated by taking peak annual debt service divided by total operating expenses. It is reflected as a percentage.

Delivery Dates: Major dates in a Project's lifecycle, including: (1) CIP Approval, (2) Start of Programming, (3) Appropriation/Authorization/DD Approval, (4) THECB Approval, (5) Notice to Proceed, (6) Substantial Completion, (7) Operational Occupancy, and (8) Project Close-Out. Items (1) through (5) are included in the Project Approval Phase; items (6) through (8) are included in the Project Completion Phase. Item (8) Project Close-Out is the only Delivery Date that is not required on the PPF.

Designated Funds: Funds designated for a specific purpose.

Designated Tuition: The portion of tuition specified in Texas Education Code Sect. 54.0513 for the general use of the institution..

Discretionary Funding: Any Funding Source available to support a Project that is under the control of the institution and not subject to spending policies imposed by the institution itself, the Board of Regents, or any other authoritative body.

Enabling Legislation: Any type of legislative authority at the Federal, State, or institutional level required to impose a fee or enact any other method(s) of producing revenues necessary to support the Project.

Energy Conservation Financing: See Performance Contracts.

Expendable Resources-to-Debt: Debt Capacity Ratio that measures coverage of direct debt by financial resources that are ultimately expendable. It is calculated by taking expendable financial resources divided by debt outstanding.

Form 2: Also known as an Accounting Source Document (ASD). Form 2s are the authorizing documents used to record Project funding, appropriations, changes to appropriations, movement of funds and expenditures, encumbrances, and in certain cases expenditures and other miscellaneous debits and credits. Upon a Project's addition to the CIP, a Form 2 will be generated to record Temporary Funding, to set up the OFPC management fee, and to move funds to different sub-accounts to cover initial expenditures. When the Project receives THECB approval, new sub-accounts will be set up to record Project funding. Temporary Funding will be removed, and full funding for the Project will be set up.

Form 4/5: Also referred to as Project Close Out Form. Form 4/5s are initiated by OFPC upon final completion when no more expenses will be recorded against the Project.

Funding Source: Type of funds identified in the PPF to support the financing of a Project. Includes PUF Debt proceeds, RFS Debt proceeds, TRB Debt proceeds, and Institutional Funds. Although Funding Sources are selected at the time the Project is approved and added to the CIP, Funding Source *amounts* can be changed with BOR or Chancellor approval (as applicable) at a later date. This does not necessarily constitute the need for THECB reapproval unless TPC has changed by more than 10% or there has been a Funding Source Change. The preferred expenditure order is: (1) TRB debt proceeds, (2) PUF Debt proceeds, (3) RFS Debt proceeds, (4) Institutional Funds.

Funding Source Change: The addition or deletion of any Funding Source(s). A change in TPC is not necessary to constitute a Funding Source Change. Typically will require reapproval by THECB if a new Funding Source is added, or an approved Funding Source is removed.

Funding Source Table: The summary of Funding Sources and funding amounts established in the PPF.

Futures List: A section of the CIP comprised of Projects for which institutions have identified a need and an estimated Total Project Cost, but which do not have a specific Funding Sources identified to be used in financing the Project. There is no PPF required for inclusion on the Futures List.

General Revenue: These funds are generated by the general taxing authority of the state and may only be used for capital expenditures upon specific approval by the Texas Legislature.

Gifts: A type of Institutional Funds that may be restricted as to use or unrestricted, depending on the donor's specifications. Per the Project Policy, Gifts cited as a Funding Source will generally be deemed RFS Debt for purposes of Debt Capacity Ratio analysis until the gifts are in-hand or committed (as evidenced by a written gift instrument). This broad category can include private foundation grants, sponsorships, naming rights income, and planned gifts.

Grants: A type of Institutional Funds comprised of Federal, State, Local, and/or Private awards used for purposes specified in the associated agreements.

Higher Education Assistance Fund (HEAF): A type of Institutional Funds comprised of funds authorized by Article VII, Section 17 of the Texas State Constitution. UT Pan American and UT Brownsville are the only HEAF-eligible UT System institutions.

Hospital Revenues: A type of Institutional Funds comprised of revenues generated by hospitals and clinics.

Institutional Funds: Refers to any type of non-debt Funding Source.

Institutionally Managed: A Project that is managed by institutional personnel rather than OFPC. A Project is automatically designated as Institutionally Managed if it is under \$4 million; however, OFPC will manage such Projects if requested to do so. Projects that exceed this threshold are managed by OFPC unless designated Institutionally Managed by the BOR. Although OFPC does not manage Institutionally Managed Projects, it could still be involved in the Project if it is funded in any part with debt because OFPC records appropriations and expenditures of debt proceeds on behalf of the BOR.

Insurance Claims: A type of Institutional Funds comprised of funds collected against claims made on insurance policies.

Interest (and Investment Income) on Local Funds: A type of Institutional Funds comprised of interest and investment income earned on funds held in local depositories.

Investment Metrics: Benchmarks laid out by the institution that measure the success of a Project and reflected in the PPF.

Library, Equipment, Repair and Rehabilitation (LERR): Generally refers to library materials and equipment, or small Repair & Rehabilitation Projects that are approved annually through the LERR Budget, and funded all or in part with PUF Debt proceeds.

Major Project: Any Project that meets one or more of the following criteria: (1) new building construction with a value of \$4 million or greater, (2) road, paving, and Repair & Rehabilitation Projects with a value of \$4 million or greater, (3) any Project determined by the BOR to be architecturally or historically significant, (4) any Project that is debt financed (RFS, TRB, PUF) regardless of dollar value (with the exception of LERR and STARS that are separately approved by the BOR), and/or (4) any campus planning effort that is intended to result in a capital Project meeting one or more of these criteria.

Master Plan I (MPI): A facilities-development plan that summarizes planned New Construction Projects, Repair & Rehabilitation Projects, and Land Acquisitions as reported by institutions for the next five years. The MP1 satisfies the Project reporting requirements for both the THECB and the BRB, and it is submitted annually by the institutions. It does not include routine maintenance projects, but it does include all of the other types of projects that are placed on the THECB agenda for consideration.

Medical Services Research and Development Plan (MSRDP): Also known as Professional Fees. A type of Institutional Funds comprised of funds derived from physician fees for services to patients.

New Construction: A Project that will result in the addition of gross square footage that was not previously in inventory.

Office of Facilities Planning & Construction (OFPC): UT System Administration office that maintains the CIP, manages Projects, and records Project accounting transactions.

Parking Fee Balances: Under the broader umbrella of Funding Sources, a type of Institutional Funds comprised of fees collected for parking permits, citations, and transient parking.

Performance Contracts: Also known as Energy Conservation Financing. Under the broader umbrella of Funding Sources, a type of Institutional Funds based on a contract with a third party pursuant to Section 51.927 of the *Texas Education Code* to provide energy conservation measures that will generate a guaranteed level of energy savings. Debt may be issued under the Revenue Financing System for a maximum 10-year period if energy savings can be generated for the period.

Permanent University Fund: A constitutional fund and public endowment created in the Texas Constitution of 1876. Today, the PUF contains 2,109,190 acres located in 24 North and West Texas counties. The assets of the PUF are dedicated to the uses and purposes of the UT System and the Texas A&M System.

Permanent University Fund Debt (PUF Debt): Bonds and/or notes authorized by Article VII, Section 18 of the Texas State Constitution. The debt is repaid by distributions from the Permanent University Fund to the Available University Fund. All UT System institutions except UT Pan American and UT Brownsville are eligible to receive PUF Debt proceeds.

President's Letter: Letter signed by institutional President, as well as appropriate EVC, formally requesting that a project be placed on the agenda for a BOR meeting. According to *Regents' Rule 80301, Capital Improvement Program*, "For Major Projects seeking Board action, the institutional President may submit a request for inclusion on the Board of Regents' agenda, accompanied by a Project Planning Form." The President's Letter is submitted at the same time as the PPF. PPFs submitted without the President's Letter are considered incomplete and will not be accepted.

Private Developer: A type of Institutional Funds based on an agreement with a third party that constructs and finances capital improvements on land of the UT System. The System executes a ground lease with the Private Developer and typically, at the end of the lease term, the capital improvement reverts to the UT System.

Professional Fees: See Medical Services Research and Development Plan.

Project: For purposes of this Policy, any New Construction Project of \$4 million or greater requesting addition to the CIP, any Repair & Rehabilitation Project of \$4 million or greater (including roads and paving), and/or any Project funded in any part with debt proceeds, regardless of amount. Preventive and routine maintenance and equipment replacement and upgrades (including computers) are not considered Projects for purposes of this Policy.

Project Lifecycle: The sequence of events from start to finish that all UT System Projects are required to undergo. The Project Lifecycle is characterized by two main phases, the Approval Phase and the Completion Phase.

Project Management: The application of resources, management techniques, and systems to the execution of a Project from start to finish.

Project Planning Form (PPF): A uniform, web-based data collection system designed to gather a complete set of data points pertinent to a specific Project. A complete, current PPF is required to be submitted by the Institution for all Major Projects, including cases of a Major Project returning to the BOR for additional approvals. The PPF is accompanied by: (1) President's Letter signed by the institution President and the Academic or Health Affairs EVC, and (2) any required exhibits or attachments such as a Project pro forma. The permanent web location of the PPF System is: <https://www.utsystem.edu/PPFSystem>. *NOTE: The PPF may also be used outside the Project Approval Phase to update important Project information such as TPC increases of less than 10%, changes in expected delivery dates, changes in projected expenditures, etc. These Project details should be updated in the CIP at least quarterly.*

Repair & Rehabilitation (Repair & Rehab): Also known as Repair and Renovation, or R&R. A Project in which a portion of the building is renovated. The classic Repair & Rehabilitation Project involves gutting an existing building and replacing electrical, plumbing, heating, ventilation, air-conditioning systems and/or other major components. Road and paving Projects, as well as tenant finish-out Projects, are also considered R&R for purposes of this Policy.

Revenue Financing System (RFS): Debt program established in 1991 for the purpose of providing a cost-effective debt program to institutions of the UT System. New RFS debt must be authorized by the Office of Finance and approved by the BOR.

Revenue Financing System Debt (RFS Debt): Bonds and/or commercial paper issued as parity debt by the BOR under the Revenue Financing System debt program.

STARs: A competitive grant program used to support recruitment and retention of highly qualified faculty at both academic and health institutions by providing additional resources used to build and enhance research infrastructure. STARs is typically funded with PUF debt.

Student Fee: A type of Institutional Funds comprised of fees collected to support the operations and financing of various student related activities.

Temporary Funding: OFPC is empowered by the BOR to authorize funding in the amount of 5% of the Preliminary Project Cost (or up to 10% with EVC of Business Affairs approval) for Projects approved in the CIP. Temporary Funding is typically used to cover expenditures such as programming, advertising costs, initial design costs, and other expenditures that are incurred at the beginning of a Project. In the case of debt-funded Projects, the institution funds these costs initially and will be reimbursed from debt proceeds after THECB approval. In the case of non-debt-funded Projects, the institution may fund these costs but may not expend more than the approved Temporary Funding amount until after THECB approval.

Texas Higher Education Coordinating Board (THECB): Also known as the Coordinating Board. THECB approval is required for any New Construction Project with a value of \$4 million or greater and any Repair & Rehabilitation Project with a value of \$4 million or greater. Projects must obtain reapproval from THECB if the Project experiences a TPC or gross square footage change of more than 10%, if there is a Funding Source Change, or if the institution has not contracted for the Project within 18 months from final BOR approval date. The THECB also reviews and approves the annual MP1.

Total Project Cost (TPC): Refers to the amount approved by the Board of Regents at time of addition to the Capital Improvement Program. The TPC is subsequently approved and authorized by the Board of Regents upon completion of Design Development. The Conceptual Estimate and Control Estimate generally will serve as the bases for the TPC.

Tuition Revenue Bond Debt (TRB Debt): Debt specifically authorized by the Texas Legislature. TRB Debt is issued by the BOR under the Revenue Financing System debt program. Debt service on TRB Debt has historically been reimbursed by the State, although the State is not legally obligated to do so.

Unexpended Plant Funds: A type of Institutional Funds comprised of funds that have been deposited from various other Funding Sources and have been earmarked for construction or physical plant improvements.

Utility Revenues: A type of Institutional Funds comprised of interdepartmental transfers to the utility department for electricity, natural gas, chilled water, steam, water, and sewer charges.

RESPONSIBILITIES

Institutional President. The Institutional President is responsible for developing and signing off on PPFs that are in line with the institution’s Campus Master Plan.

Offices of Academic Affairs and Health Affairs. Academic Affairs and Health Affairs are responsible for assisting institutions in developing PPFs, recommending LERR allocations to the BOR, and awarding STARS grants.

Office of Facilities Planning & Construction. OFPC is responsible for reviewing PPFs, preparing agenda items, updating the CIP with new Project information at least quarterly (see definition of PPF), assisting institutions in estimating Project costs and expenditure timelines, managing Projects, controlling Project accounting, and closing out Projects.

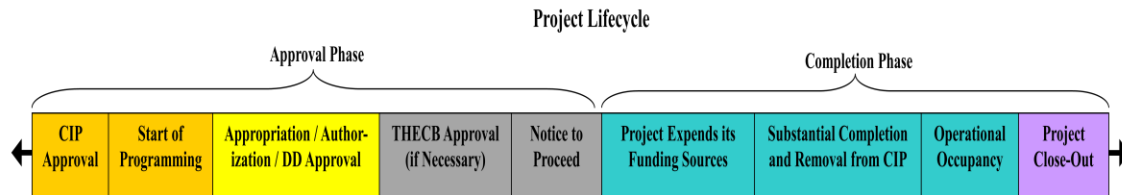
Office of Finance. The Office of Finance is responsible for reviewing PPFs if the Project includes any debt or gift funding, assisting institutions in building pro formas or updating six-year forecasts, providing finding of fact language for agenda items, and managing IRS arbitrage spendout compliance.

Office of External Relations. In the case of interim gift financing and fundraising shortfalls, this office is responsible for assisting the institution in re-presenting the Project to the BOR for reauthorization and/or approval of a Funding Source Change.

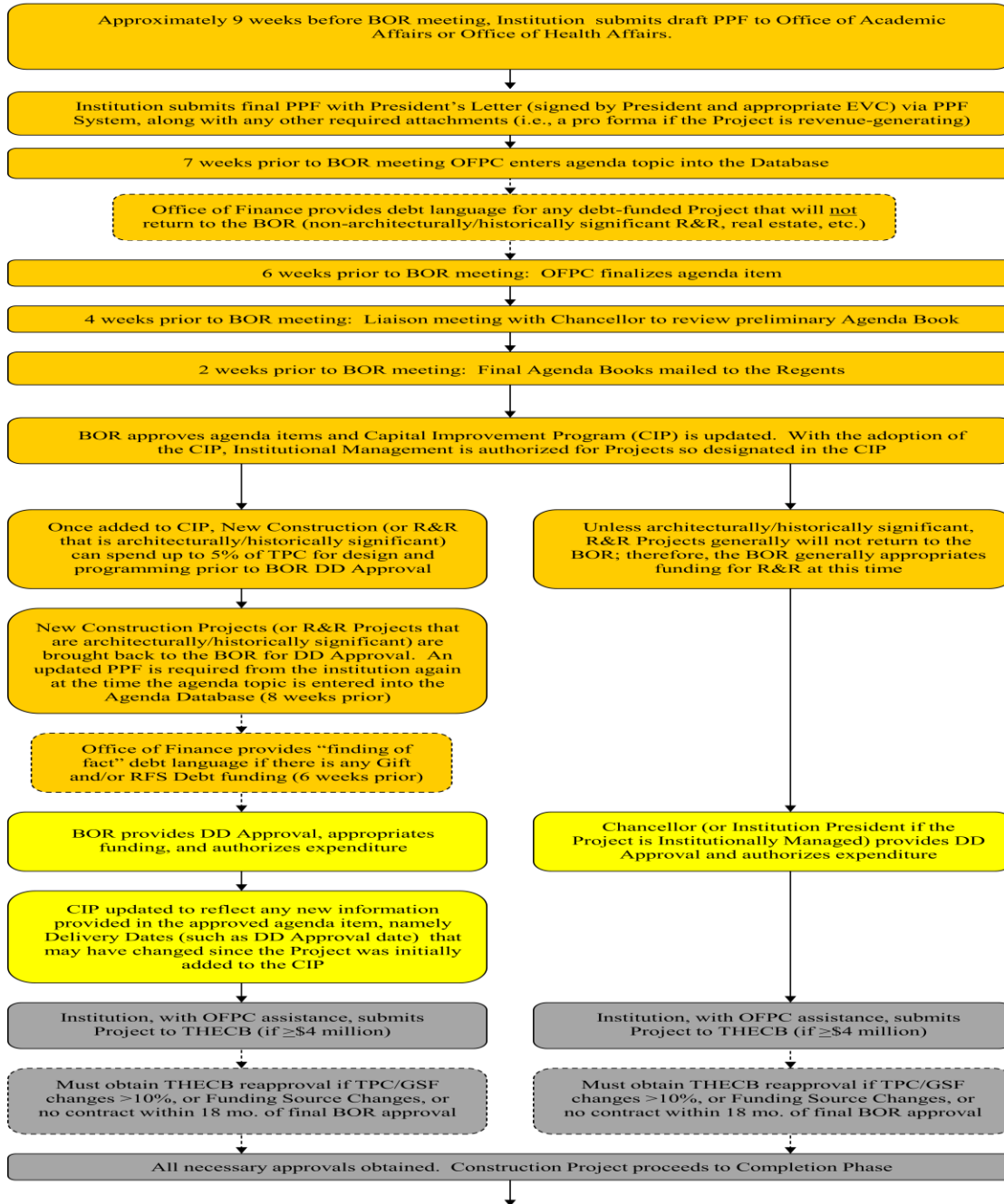
Office of the Controller. The Office of the Controller organizes and manages the annual LERR request process and monitors LERR and STARS award balances in conjunction with OFPC.

PROCEDURES

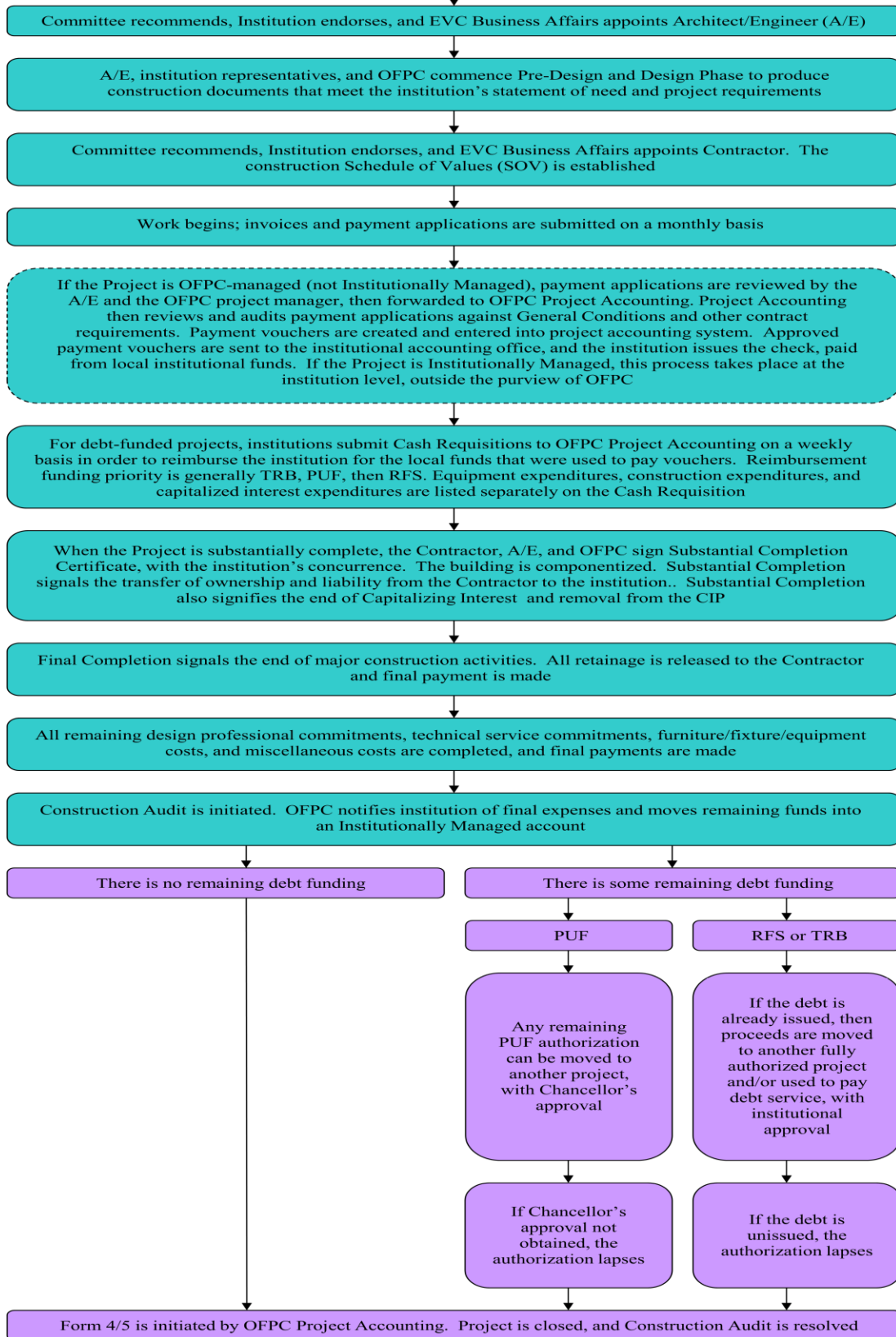
Project Lifecycle. There are two main phases in every Project’s Lifecycle: Approval Phase and Completion Phase. Compliance with this Policy requires compliance with the various stages of the Project Lifecycle:



Approval Phase



Completion Phase



Guidelines. The Project Planning Form (PPF) submitted by the institution initiates the Project Lifecycle, and it is the primary vehicle through which the Approval Phase is achieved. Institutions are required to submit an updated PPF for all BOR agenda items pertaining to a Major Project, including:

- Additions to the CIP
- Funding Source Changes
- Changes in Total Project Cost of more than 10%
- DD Approvals

Regardless of the specific BOR action(s) being requested, OFPC will designate whether the project is requesting *preliminary* or *final* BOR approval, and this designation will be displayed prominently in the agenda item. Once the Approval Phase is complete (all necessary approvals obtained), a Project proceeds to the Completion Phase of its Lifecycle, where funds are expended and the Project is ultimately completed and closed.

Approval Phase. The PPF delineates all aspects of the Project, namely general information, Project description, Total Project Cost, justification, Investment Metrics, Delivery Dates, and financial planning. Once submitted, the PPF is reviewed by OFPC and Finance.

Conceptual Estimate. The Conceptual Estimate establishes a budget for the proposed Project. The conceptual estimate forms the basis by which the BOR considers a Project for inclusion into the CIP. The cost estimate at this stage of the project development is often considered a placeholder, and has a threshold Accuracy Factor of 1.60.

Control Estimate. The Control Estimate determines the Total Project Cost for the Project when requesting DD Approval from the BOR. The Control Estimate at this stage of the project definition is expected to be accurate and transparent with a threshold Accuracy Factor of 1.10.

Exceeding the Accuracy Factor. If special programmatic or funding circumstances require that the BOR reconsider an earlier DD Approval (i.e., the Accuracy Factor of the original Control Estimate exceeds 1.10), such special conditions must be described to the BOR in detail, and a revised Control Estimate must be presented to the BOR for reapproval.

Lapsing PUF Funding (non-LERR and STARs). Once PUF Debt is authorized by the BOR, the Project must begin construction within 36 months of the authorization date or the PUF debt authorization for that Project will lapse, unless otherwise extended by the Chancellor.

Lapsing LERR and STARs. Any LERR and STARs appropriations must be expended within 36 months from the time the faculty member arrives on campus or the appropriation will lapse and be made available for future System-wide reallocation.

LERR Eligibility. With regard to Repair & Rehabilitation, only Projects with a TPC of less than \$4 million are eligible for LERR funding. This Policy does not place a limitation on the size of LERR library and equipment projects. Library and equipment expenditures may be bundled when requesting LERR; however, R&R Projects should not be bundled together and presented as one project unless the improvements are all of a like kind (e.g., replacement of elevators in more than one building can be bundled together as one project). PUF will not be allocated to R&R Projects in an amount less than the TPC unless the institution has identified, prior to LERR Budget approval, other Funding Sources sufficient to fund the difference between PUF allocation and TPC.

Inclusion of PUF Projects (LERR and STARs) in the CIP. LERR and STARs authorizations are only required to be in the CIP if they are part of a Major Project. TPC changes for LERR and STARs Projects that result in a TPC of \$4 million or greater are subject to TPC change rules applicable to all Major Projects, as described in *Regents' Rule 80402, Major Construction and Repair and Rehabilitation Projects*, i.e., TPC changes may generally be approved by the

Chancellor in lieu of the BOR, unless the cost change will cause a variance of more than 10% from original BOR-approved TPC, *and* that variance exceeds \$500,000.

Use of Gift Funding. RFS Debt is often used to “backstop” Gifts, either as interim financing pending actual Gift collections or as permanent financing to cover any unanticipated fundraising shortfall. For Projects where Gifts have not been received in-hand or firmly committed to be received during construction (as evidenced by a signed Gift instrument) at the time of authorization of expenditure*, the Office of Finance requires that another acceptable source of funds be denoted in the Funding Source Table in lieu of the uncollected and uncommitted Gifts (e.g., RFS Debt or Institutional Funds). If RFS Debt is selected as the alternate funding source, then Gifts to be collected in the future must be dedicated to the repayment of the RFS Debt, to the extent permitted by the donor.

* Please note that for New Construction projects, authorization of expenditure occurs in conjunction with DD Approval by the BOR. For R&R projects, authorization of expenditure occurs via Chancellor’s Letter (or via President’s Letter if the project is Institutionally Managed).

Completion Phase. The Completion Phase of a Project’s lifecycle varies greatly among Projects. The Completion Phase for most construction-related Projects is complex and takes place over the course of several months or years, entailing the expenditure of funds and the subsequent closure of the Project. In all cases, debt funding must be fully expended and/or transferred so that the finished Project can be closed.

Substantial Completion. Once a building is ready to be occupied for its intended purpose, a Substantial Completion form is signed by a member of the OFPC Project Management team, the design professional, and the contractor. Upon Substantial Completion, the insurance risk is assumed by the institution. Substantial Completion signals the completion of all major construction work, and any unencumbered funds remaining in the OFPC-managed accounts may be moved to institutionally-managed accounts, subject to the approval of OFPC Project Management. The Project is removed from the CIP upon Substantial Completion.

Project Close-Out. Fifteen months after substantial completion, OFPC will initiate a Project Close Out form. After reconciliation between institutional accounts and OFPC Project accounts, the disposition of remaining funds is determined according to the type of funds remaining. If remaining RFS or TRB funding is not yet issued, then the authorization simply lapses. However, if remaining RFS or TRB funding is already issued and debt proceeds are on-hand, then those proceeds are either used by the Office of Finance to pay debt service, or they are moved to another fully-authorized Project (with necessary institutional and/or legislative approval). Remaining PUF funding simply lapses, unless the Chancellor approves moving the funds to another BOR-approved PUF Project. Remaining institutional funds are returned to the originating source of the funds. Construction in progress assets are capitalized to the appropriate capital asset categories at the earliest occurrence of:

- a. Execution of substantial completion contract documents;
- b. Occupancy, or;
- c. When the asset is placed into service.

PROJECT PLANNING FORM (PPF)

1. Work with Academic Affairs or Health Affairs to refine Project details.
2. Complete the PPF, which can be accessed at <https://www.utsystem.edu/PPFSystem>.
3. Do not leave any blanks on the PPF. Instead, enter “N/A”, or enter an explanation why the data is not provided.
4. If the Project is going to the BOR for DD Approval, appropriation of funding, and/or authorization of expenditure, then provide (1) updated PPF including updated expenditure timeline and any revised Delivery Dates, and (2) up-to-date financials if it is funded with any RFS debt (a pro

forma for revenue-generating Projects or a revised six-year forecast for non-revenue-generating Projects).

5. Attach a letter signed by institution President and the Academic Affairs or Health Affairs EVC.
6. Submit final PPF with President's Letter (signed by President and appropriate EVC) via the web-based PPF System, along with any other required attachments such as a pro forma.

PROJECTED EXPENDITURE TIMELINE

1. Required on the PPF, which can be accessed at <https://www.utsystem.edu/PPFSystem>.
2. Work with Project Manager to determine how much of the TPC will be spent in each fiscal year following its addition to the CIP.
3. All fiscal years must sum to the TPC.
4. Unless there are unusual circumstances, funding sources should be spent in the following priority order: TRB Debt, PUF Debt, Income on PUF Proceeds, RFS Debt, and then Institutional Funds.
5. If/when a Project returns to the BOR for additional approvals, projected expenditure timeline and Delivery Dates must be updated.
6. The Projected Expenditure Timeline (a.k.a., project cash flows) will be updated in the CIP at least quarterly by the Senior Project Manager (SPM) or by the Institution if the Project is Institutionally Managed.

PRO FORMA

1. To be used for Projects that are fully or partially self-supporting.
2. Pro Formas are individually built by the institution for the specific Project in question.
3. Contact Office of Finance to get approval of debt assumptions, i.e., amortization term and rate.
4. Forecast should match the length of the debt, i.e. 20 years, 30 years, etc.
5. Forecast all operating revenue and expenses associated with the Project.
6. Arrive at a "net income" for the Project in each forecasted year.
7. Forecast debt service on the Project using approved debt assumptions.
8. Divide "net income" by debt service in each forecasted year.
9. Target 1.3x Debt Service Coverage for revenue-generating Projects. The "two out of three" ratio test generally does not apply to revenue-generating Projects, as long as they can meet 1.3x DSC.
10. Submit with PPF when seeking BOR DD Approval.

UPDATED SIX-YEAR FORECAST

1. To be used for Projects that are not self-supporting.
2. Contact the Office of Finance to obtain the most recent six-year forecast on file.
3. Add the new Project and its incremental debt into the Future Debt tab.
4. Build in incremental revenues and expenses associated with the Project into the SRECNA.
5. Meet at least two out of three of the following standards:
 - a. At least 1.8x Debt Service Coverage
 - b. At least 80% Expendable Resources-to-Debt
 - c. No more than 5.0% Debt Service-to-Operations
6. Submit with PPF when seeking BOR DD Approval.

CASH REQUISITIONS

1. Obtain all necessary BOR and THECB approvals.
2. Request debt issuance from Office of Finance.
3. After debt has been issued, complete the Cash Requisition Form, found at <https://www.utsystem.edu/fpc>.
4. An authorized representative must sign the Cash Requisition Form.
5. The Cash Requisition Form must include funding source for reimbursement (PUF, TRB, or RFS), timing of expenditure, and type of expenditure (equipment or construction).
6. Submit completed Cash Requisition Form to OFPC.
7. Reimbursements wires are generally sent weekly on Thursdays by the Office of Finance, with exceptions made for official holidays, etc.

CLOSING OUT A PROJECT

1. When a Project is completed with no more expenses to be recorded against the Project, OFPC will generate the Form 4/5 (Project Close Out Form). There may be numerous substantial completion letters for portions of a Project but this does not indicate that a Project has reached final completion.
2. If the Project has any remaining funds from PUF, TRB, or RFS Debt proceeds, OFPC will notify the institution and the Office of Finance that the Project is being closed and that the funds must be moved out of available funds for construction reimbursement.
3. The Office of Finance may move the remaining funds to the debt service account and apply the funds towards the Project's next debt service payment(s), or the remaining funds may be moved to another CIP project with all its necessary approvals in place.

FORMS AND TOOLS/ONLINE PROCESSES

The Project Planning Form (PPF) is a web-based form permanently located at: <https://www.utsystem.edu/PPFSystem>. Each institution can decide who has access to the system. Access to the PPF System can be requested by visiting the site.

APPENDIX

Using the PPF System

<http://www.utsystem.edu/policy/forms/uts168/usingtheppfsystem.pdf>

Keywords: financial, finance, funds, capital, documentation, capital improvement program, CIP, LERR, PPF, Project Planning Form, PUF, project, projects, capital expenditure, capital expenditures, project lifecycle process, project lifecycle, expenditure, OFPC, controller, approval, approvals, THECB, pro forma, funding source, RFS, TRB, gifts, BOR, Board of Regents , project life cycle process
