

1. Title

Capital Expenditure Policy

2. Policy

Sec. 1 Purpose. The purpose of the Capital Expenditure Policy is to provide U. T. 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).

Sec. 2 Policy Statement. The University of Texas System requires that all institutions provide in-depth analysis of capital expenditures included in the Capital Improvement Program (CIP). All U. T. System Administration offices shall work collaboratively to provide assistance to the institutions in their endeavor to appropriately analyze Projects.

Sec. 3 Compliance. Compliance with this policy is required.

Sec. 4 Master Plan 1. All U. T. System institutions complete an annual Master Plan 1 (MP1), a reporting tool required by the Texas Higher Education Coordinating Board (THECB) and Bond Review Board (BRB). The MP1 is a Project plan summarizing facilities-related Projects for the succeeding five years, including land acquisitions.

Sec. 5 Capital Improvement Program. The CIP is a Project plan summarizing facilities-related Major Projects for the succeeding six years, excluding land acquisitions. All projects with a Total Project Cost (TPC) of \$10 million or greater, and any project determined by the Board to be architecturally or historically significant, are considered Major Projects and are required to be on the CIP and follow all required processes for the CIP. Projects having a TPC of less than \$10 million are not included in the CIP; however, if a project includes debt as a funding source, the debt must be approved by the Board of Regents. Library, Equipment, Repair & Rehabilitation (LERR) or Faculty Science and Technology Acquisition and Retention (STARs) projects funded with Permanent University Fund (PUF) proceeds follow a separate approval process and are not included in the CIP.

5.1 Definition Phase and Preliminary Cost Expenditures. A Major Project is added to the CIP only after completion of the Definition Phase.

(a) Definition Phase – Each institution is expected to maintain a comprehensive and strategic capital projects list. In collaboration with the Office of Academic Affairs or the Office of Health Affairs, each institution will regularly review strategic priorities coordinated with the approved Campus Master Plan. Following confirmation that a specific project

represents the highest strategic priority for the institution, the institution president may request approval from the appropriate Executive Vice Chancellor and the Chancellor to proceed with the Definition Phase for that project.

- (b) Approval to proceed with the Definition Phase authorizes procurement of professional services and expenditure of temporary funds of up to 5% of the preliminary TPC for design, engineering and pre-construction phase services. Temporary funds will be provided by the institution initially but will be reimbursed to the institution from applicable project funds upon Design Development (DD) Approval or upon submission of a project application to THECB (if required), whichever is later.
 - (c) The Definition Phase is expected to more accurately resolve scope and cost confirmations for the proposed project through the appointment of a Project Advocate, completion of the Owner's Project Requirements workshop, confirmation of the Basis of Design, and resolution of the Facilities Program and a Schematic Design including reconciliation of a detailed cost estimate.
 - (d) The preliminary cost estimate and schedule will support the Business Plan and serve as the basis for the proposed project when it is added to the CIP. This cost estimate is expected to have an accuracy factor of 1.3 or better.
- 5.2 Addition to the CIP. A Major Project is eligible for addition to the CIP after completion of the Definition Phase.
- (a) Addition of a project to the CIP authorizes U. T. System Administration and institutional administration to expend temporary funding up to 10% of the anticipated TPC to proceed to DD Approval.
 - (b) Temporary funding will be provided by the institution initially but will be reimbursed to the institution from applicable project funds upon DD Approval or upon submission of a project application to THECB (if required), whichever is later.
- 5.3 Design Development.
- (a) A control estimate and control schedule are established during design development and will serve as the basis for the TPC and schedule for the project from DD Approval through completion. A control estimate is expected to have an accuracy factor of 1.1 or better.

- (b) Authorization of expenditure of funds coincides with DD Approval by the BOR for New Construction projects and by the Chancellor or institution President for R&R projects.

Sec. 6 Major Project Funding for CIP Projects

- 6.1 Funding Sources should generally be expended in the following order: Tuition Revenue Bond (TRB) Debt, PUF Debt, Revenue Financing System (RFS) Debt, and then Institutional Funds.
- 6.2 Gifts not in hand or committed may be designated as a funding source at Addition to the CIP. At the time of authorization of expenditure of funds, Gift funding must be in-hand or firmly committed to be received during construction (as evidenced by a signed Gift instrument). Should Gift funding not be in-hand or committed, another funding source must be identified for the Project in lieu of the uncollected and uncommitted Gifts.
- 6.3 Once PUF Debt is authorized by the BOR for a Major Project, 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.
- 6.4 PUF LERR and STARs projects are separately approved by the BOR and are not included in the CIP. These projects will follow the LERR and STARs Budget Rules and Procedures and Expenditure Guidelines as defined in the annual LERR and STARs budget.
- 6.5 PUF LERR and STARs funding that is incorporated into a Major Project will be defined as PUF and will be subject to rules applicable to all Major Projects.

Sec. 7 Major Project Document Requirements

- 7.1 Institutions are required to submit documents as defined by The Office of Facilities Planning and Construction (OFPC) processes for all Facilities Planning and Construction Committee (FPCC)/BOR agenda items pertaining to Major Projects, including:
 - (a) additions to the CIP;
 - (b) the addition of debt as a funding source;
 - (c) cumulative increases in Total Project Cost (TPC) of more than 10% of the BOR-approved TPC; and

(d) DD Approvals for New Construction projects.

- 7.2 Business Plan. A Business Plan is required for all FPCC/BOR agenda item requests for Major Projects. The Business Plan should include a Pro Forma for all Major Projects funded by RFS debt identifying what revenue sources will be used to repay the debt.
- 7.3 Deferred Maintenance and Recapitalization. Institutions shall address anticipated costs for physical asset recapitalization and long term facility maintenance in the project Business Plan.

Sec. 8 Major Project Completion and Close-out.

- 8.1 Projects are removed from the CIP upon reaching substantial completion for the last defined stage.
- 8.2 When a Project is completed and no more expenses will be recorded against the Project, OFPC will generate the Form 4/5 (Project Close-Out Form), notifying the institution and the Office of Finance that the project is to be closed. A Project Close-Out Form will be initiated no later than 18 months following substantial completion of the last defined stage unless otherwise extended by the Chancellor.
- 8.3 After reconciliation, the disposition of remaining funds is determined according to the type of funds remaining. Debt funding must be fully expended and/or transferred so that the project can be closed. 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, BOR 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.
- 8.4 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) placement of the asset into service.

3. Relevant Federal and State Statutes

[Texas Occupations Code Chapter 162.001](#)

[Texas Constitution Article 7, Sec. 17 and Sec. 18](#)

4. Relevant System Policies, Procedures, and Forms

[Board of Regents' Rules and Regulations, Rule 80301](#)

[Board of Regents' Rules and Regulations, Rule 80303](#)

[Board of Regents' Rules and Regulations, Rule 80402](#)

[Board of Regents' Rules and Regulations, Rule 80403](#)

[Board of Regents' Rules and Regulations, Rule 80404](#)

Online Project Planning Form (PPF) located at:

<https://apps.utsystem.edu/FinanceCIP>

5. System Administration Office(s) Responsible for Policy

Office of Facilities Planning and Construction

6. Dates Approved or Amended

July 1, 2008

May 25, 2010

September 10, 2013

November 3, 2016