

Capital Planning Process

Capital planning at UC Merced integrates academic planning with physical and fiscal planning. Life cycle cost, financial feasibility, adherence to campus planning objectives, stewardship and sustainability are hallmarks of UC Merced's integrated planning process. The capital planning process at UC Merced largely occurs with collaboration among 1) Capital Planning and Space Management (CPSM); 2) Physical Planning, Design & Construction (PPDC); Facilities Management (FM); and 4) Environmental, Health and Safety (EHS). Building Advisory Committees accountable to the EVC/Provost and Chancellor are established to guide projects through their life from concept to execution. The CPSM unit, under the leadership of the Assistant Vice Chancellor for Capital Development oversees strategic and long range planning efforts during the earliest phases of program and project development including programming, budgeting, and project financial feasibility, which underpins all projects in the campus capital improvement program.

The capital process includes consideration and management of a variety of planning activities, including: space planning; space utilization analysis; financial feasibility analysis; detailed project programming; and project coordination for a wide array of renovations and alterations, minor and major capital improvement projects, and equipment lists. Project scope typically includes new construction; renovation of existing facilities; infrastructure/utilities improvements; acquisition of capital equipment; or third-party development.

Capital Planning Framework

Each University of California site (ten campuses and the UC Office of the President) submit to The Regents for consideration on an annual basis, their updated ten-year Capital Financial Plan for combined State and Non-State capital improvement projects. The Capital Financial Plan documents campus aspirations for the large array of capital improvements necessary to support the teaching, research, and public service mission of the University. Campus CFPs are prepared in the context of approved academic plans, the Long Range Development Plan, the Physical Design Framework, and the business case justification for projects.

UC Merced Major Milestone Planning Documents:

- 2010 Physical Design Framework (Physical Planning, Design and Construction)
- 2009 Long Range Development Plan (Physical Planning, Design and Construction)
- 2010-2020 Capital Financial Plan (Capital Planning and Space Management)
- 2011-2021 Capital Financial Plan (Capital Planning and Space Management)

Types of Capital Improvements

Capital Improvement Projects can be classified in two categories: Major Capital Improvement Projects and Minor Capital Improvement Projects based on project cost:

- Major Capital Improvements

Major Capital Improvement Projects are capital projects with an estimated cost greater than \$750,000. These projects are included in the Capital Financial Plan and are formally reviewed and approved at project scoping, programming, and design. The approval process for Major Capital Improvements varies based on the project cost.

- Minor Capital Improvements

Minor Capital Improvement Projects are capital projects with an estimated cost between \$35,000 and \$750,000. Minor Capital Improvements are not usually included in the Capital Financial Plan and are initiated by a Department defining a project necessary to support their mission or program objectives. Minor Capital Improvement projects are subject to an administrative review process.

Capital Financial Plan

CPSM organizes the budget and funding plan necessary for capital projects to go forward. This is expressed through the preparation of annual Capital Financial Plan. The ten-year Capital Financial Plan (CFP) is the campus' primary capital planning tool. The CFP provides context and framework for guiding campus capital investments and includes the following elements:

- Campus history and its current planning context
- Recent history of capital investments on the campus
- Major challenges the campus faces
- Overview of the campus capital planning process
- Detailed capital program, including an inventory of the projects, estimated project cost, and general project goals as well as preliminary funding strategies

Capital Financial Plan Objectives

- Provide space and facilities that for teaching and research, campus support and campus life consistent with the mission of UC Merced
- Assess the cost-effectiveness and efficiency of space improvements and space utilization
- Invest in necessary expansion and renewal of campus infrastructure systems to ensure that such systems appropriately support the academic and instruction mission
- Design and construct capital projects employing cost-effective and sustainable energy efficiency technologies and develop renewable energy sources to lower the campus's carbon footprint
- Seek new funding sources to augment limited resources in support of the capital program

Vice Chancellors evaluate the adequacy of capital assets that support their programs. To the extent facilities are inadequate in terms of quantity of space, capacity, functionality, or quality, they may propose capital investments to address the inadequacy. CPSM reviews all proposed projects to ensure they are consistent with CFP objectives.

The campus works closely with the Office of the President in all aspects of the Capital Financial Plan, including the types of projects eligible for the funding, the source of funding, and establishing priorities. State funded projects typically support instruction and research, including related support activities, and major infrastructure and utilities. Non-State projects typically include: childcare; housing; dining; parking; recreation and athletics; and other non-academic programs and activities. Non-State projects are often advanced based on specific opportunities created by rapidly evolving funding availability or programmatic requirements.

At UC Merced the Chancellor has established a campus committee that is responsible for identifying the space and capital needs of the campus, discussing and reviewing specific projects that could meet those needs, and recommending a prioritized list of projects for inclusion in the State CFP. That committee is the Campus Physical Planning Committee (CPPC). The CPPC advises the EVC/Provost and Chancellor regarding site selection, land use, and priorities within the Capital Financial Plan. The approval process for these projects is varied and depends on the type of funding and total cost of the project. The Chancellor can approve select capital projects according to total project cost and the type of funding i.e. "*delegated process*". Other projects based on total project cost or the need for external financing may require additional reviews and approvals by the UC President, or The Regents.

A Business Case Analysis (BCA) is required for all Non-State capital projects. Such documentation, which is prepared by the Capital Planning and Space Management unit, outlines the budgetary and financial components for a capital project and ensures that financial responsibilities associated with such components, including potential funding shortfalls, are clear. To effect such commitments, a BCA is approved by senior campus leadership on behalf of campus programs or auxiliaries. Availability of funding and funding authorization is subject to University, State and Federal policies.

Siting of buildings and facilities is consistent with the LRDP as determined by PPDC in consultation with the Campus Physical Planning Committee. Land use designations are intended to be flexible, while optimizing synergistic relationships among campus programs. The campus uses locally developed technical guidelines to ensure integrity, compatibility and coherence of campus design. These guidelines are reviewed by the campus Technical Advisory Committee and are updated periodically. The information that follows describes the campus committees established to guide the physical and capital planning process.

Needs and Feasibility Assessment

The development of capital projects is driven by the needs of the campus and a business case analysis. Through needs assessment -- the first step in the development of capital projects -- the feasibility of a capital project can be determined. In most cases, this step is initiated at the Vice Chancellor level by or on behalf of the prospective users.

During this initial stage, the project is defined in broad terms and its framework is established through use of elementary guidelines such as:

- Project justification (programmatic requirements, space requirements, etc.)

- Project classification (offices, classrooms, laboratories, infrastructure, etc.)
- Project occupants/users
- Project location

Once the needs assessment is completed and the framework is in place, then viable projects can be considered for inclusion into the proposed Capital Financial Plan which is reviewed by the Campus Physical Planning Committee (advisory to the Chancellor). If the project becomes a campus priority, the project advances through the capital project development process where it evolves from its initial concept into a fully developed program (i.e., one which entails a well-defined scope of work, justification, project schedule, capital improvement budget, business case analysis/funding plan, and environmental documentation.)

Cost Estimates

In connection with the needs assessment phase, CPSM collaborates with PPDC to develop initial cost models based on historical campus data, UC benchmarks and professional cost estimating.

Funding, Planning, and Analysis

Once the needs assessment and preliminary cost estimate are known, Capital Planning and Space Management conducts a Business Case Analysis for capital projects and considers debt affordability as required by the UC Office of the President and The Regents. The purpose of this analysis is to identify appropriate funding sources and determine the financial integrity of the funding sources and appropriate funding schedules. In addition to the costs normally associated with construction projects, ancillary costs such as interest during construction, costs of financing, and administrative gift fees are identified.