

FCR 13

Office of the President
September 9, 2016

Members, Board of Trustees:

PROPOSED REVISION TO ADMINISTRATIVE REGULATION:
APPROVAL OF UNIVERSITY CAPITAL PROJECTS

Recommendation: that the Board of Trustees approve the attached revision to *Administrative Regulation (AR) 8:2, Approval of University Capital Projects*. The revision is related to increases in: 1) the threshold amount for capital projects requiring Board of Trustees approval; and 2) updating procedures for requesting and approval of University capital projects.

Background: House Bill 80, enacted by the 2016 General Assembly, and signed by the Governor on April 27, 2016, increases the thresholds of capital-related activities that do not require legislative authorization for institutions of higher education. The amount for any capital construction item, or any combination of capital construction items necessary to make a building or utility installation complete requiring authorization, will increase from six hundred thousand dollars (\$600,000) to one million dollars (\$1,000,000), effective July 15, 2016. The attached revision updates the AR to reflect the legislative increase of the capital project approval threshold from \$600,000 to \$1,000,000. In addition, the revision updates the procedures whereby University colleges and departments request university capital projects by:

- Adding a statement that all debt financing transactions for capital projects must comply with the University Debt Policy
- Removing language that duplicates regulations of the Kentucky Council on Postsecondary Education (CPE)
- Clarifying procedures for requesting and approval of University capital projects
- Adding new procedures for requesting and approval of emergency capital projects

This revision is supported by the President, the General Counsel, University Debt Committee, and the Executive Vice President for Finance and Administration.

A revised copy of AR 8:2 is attached. Proposed additions are underlined; proposed deletions are lined through.

Action taken: Approved Disapproved Other _____



UNIVERSITY OF
KENTUCKY
Regulations

Administrative Regulation 8:2

Responsible Office: EVPFA / Treasurer

Date Effective: DRAFT

Supersedes Version: 10/10/2006
~~12/14/2004~~

~~Policies and Procedures for the~~ Approval of University Capital
Projects
(Approved by Board of Trustees)

I. Introduction

~~The purpose of this~~ This Administrative Regulation outlines the ~~is to establish a~~ process for all University units to request, through the President, approval of University Capital Projects by the ~~University of Kentucky Board of Trustees (Board) and submission of capital projects to the Council on Postsecondary Education and the General Assembly for authorization.~~

II. Entities Affected

This regulation applies to all units of the University, including but not limited to the Hospital system, affiliated corporations and auxiliary enterprises.

III. Definition

For the purposes of this Administrative Regulation, "University Capital Project" includes those which involve University-owned land or which are for the University's use and benefit, and ~~means:~~

- A. The construction, reconstruction, improvement, acquisition, and or structural maintenance of buildings estimated to cost of greater than \$600,000 \$1,000,000 or more; or
- B. The acquisition or improvement of a building or real property estimated to cost of greater than \$600,000 \$1,000,000 or more.

IV. University Capital Project Approval Authority

- A. Prior to initiation, all University Capital Projects, regardless of fund source, shall be approved by the Board, except for emergency University Capital Projects pursuant to Section VI of this regulation. ~~The Board of Trustees or its Executive Committee shall approve:~~
 - ~~1. All University of Kentucky capital projects, regardless of fund source and including but not limited to capital projects of the University Hospital and affiliated corporations, prior to initiation; and~~
 - ~~2. All bond issuances for University of Kentucky capital projects.~~

- B. Prior to initiation, all debt financing transactions for University Capital Projects shall be in compliance with the University Debt Policy. (add link)~~The Board of Trustees shall approve the Operating and Capital budgets prior to the start of each fiscal year.~~
- C. ~~Pursuant to KRS 45.760, the General Assembly's Capital Projects and Bond Oversight Committee shall authorize changes in capital project scope or fund source.~~

~~Prior to legislative authorization:~~

~~4. The Board of Trustees or its Executive Committee shall approve:~~

~~a. scope increases to University eCapital pProjects that exceed fifteen percent (15%); and~~

~~b. changes in fund source allocation that exceed fifteen percent (15%).~~

~~2D. The President shall approve:~~

~~a. Sscope increases to University eCapital pProjects that do not exceed fifteen percent (15%); and~~

~~b. Changes in fund source allocation that do not exceed fifteen percent (15%).~~

~~D E. The President shall provide to the Board a Quarterly Capital Construction Report describing the status of ongoing University eCapital pProjects.~~

~~IV. Capital Request Approval~~

~~A. In April of each odd-numbered year, the University of Kentucky shall submit its Six-Year Capital Plan to the Capital Planning Advisory Board. This plan shall be reported to the Board of Trustees at the next meeting. A revised Six-Year Capital Plan may be submitted to the Capital Planning Advisory Board by October 1 of each odd-numbered year.~~

~~B. The University of Kentucky is required to submit an executive budget request to the Commonwealth of Kentucky every two years. In June of each odd-numbered year, the Board of Trustees shall approve the University's Capital Request for the next biennium. Following approval by the Board of Trustees, the Request shall be submitted to the Council on Postsecondary Education. The Capital Request generally represents the first two years of the six-year Capital Plan.~~

~~C. In November of each odd-number year, the Council on Postsecondary Education submits a biennial operating and capital recommendation to the Governor, including a list of capital projects to be authorized for each public university.~~

~~D. Prior to a legislative session in which approval of the Commonwealth's Biennial Budget shall be considered, the President shall provide the Board of Trustees a report on the Capital Request that reflects the Council on Postsecondary Education's recommendations and any known capital project changes or additions for which the University shall seek authorization. However, as needed, the President may submit additional Capital Request changes or additions to the General Assembly during the legislative session. The President shall report the results of the legislative session to the Board of Trustees, including a list of the authorized capital projects. Capital projects that have been authorized by the General Assembly shall be submitted to the Board of Trustees for approval prior to initiation.~~

~~E. During legislative interims, the university may submit to the General Assembly new capital projects or changes to previously authorized capital projects in which at least fifty percent (50%) of the cost is paid for using private and/or federal funds. The Board of Trustees or its Executive Committee shall approve such projects prior to submission to the Council on Postsecondary Education and the General~~

V. Procedure for Requesting Board of Trustees Approval to Initiate a University Capital Project

A. Prior to requesting Board approval to initiate a University Capital pProject, the ~~department, college, or unit shall, in consultation with the Capital Projects Management Division as necessary,~~ develop a University Capital Project Plan that includes at least the following:

1. Need analysis;
2. Project scope; ~~and~~
3. Financial plan for funding the University capital project and the recurring operating costs; and
4. Legislative authorization.

The unit shall consult, as necessary, with the Capital Projects Management Division and the University Budget Office (UBO) in developing the above plan.

B. The University Capital Project Plan shall be submitted to the Provost or appropriate executive vice president for review. The Provost or appropriate executive vice president shall, in consultation with the Executive Vice President for Finance and Administration (EVPFA), ~~the Office of the Treasurer (OT), and the Office of Planning, Budget, and Policy Analysis (OPBPA),~~ make a recommendation to the President.

C. The President shall determine whether to recommend the University Capital Project to the Board.

D. Project scope increases or decreases and ~~revised~~ revisions to financial plans shall ~~be reviewed by the EVPFA, in consultation with the OT and the OPBPA, prior to implementation~~ follow the same procedures.

VI. Emergency University Capital Projects

A. An "Emergency University Capital Project" is a University Capital Project as defined by this regulation and is:

1. Necessitated by injury or damage resulting from a disaster;
2. Necessary to maintain University operations or to prevent or minimize injury or damage that could reasonably be expected to result from an impending disaster; or
3. Necessitated by an unforeseen mechanical breakdown, electrical breakdown, or structural defect that must be corrected to make a facility or structure usable.

B. The President shall determine whether a University Capital Project is an Emergency University Capital Project. Upon such a determination, the Emergency University Capital Project may be initiated and shall then be reported to the Board at its next meeting.

C. Emergency University Capital Projects shall be reported to the Capital Projects and Bond Oversight Committee pursuant to KRS 45.750 – 45.810.

~~VI.~~ References and Related Materials

KRS: 164A.560; [KRS Chapter 7A.010](#); [KRS 45.750 – 45.810](#)~~45.760~~

Governing Regulation: Part II₁— Governance of the University of Kentucky

Revision History

7/1/1983, 10/1/1984, 9/18/1993, 9/23/1994, 6/11/1996, 8/18/98, 11/1/2001, 12/14/2004, [10/10/2006](#)

For questions, contact: [Office of Legal Counsel](#)