

# **Draft Report to The Regent's Committee on Grounds & Buildings: Update from the Capital Projects Working Group**

## **I. EXECUTIVE SUMMARY**

### ***Context***

In the spring of 2007, the Board of Regents and President of the University of California undertook a major effort to assess the organization and operations of the University's finance and administrative functions, centering on the Office of the President (UCOP). The initial diagnostic and screening component of this work identified several areas of focus for redesign based on their potential to both generate near-term cost savings and also rebuild UCOP's credibility as the administrative "center" of the University.

With the University's capital projects development and approval<sup>1</sup> process identified as one area of focus, a Working Group of UCOP and Campus personnel was formed to develop recommendations for its redesign.<sup>2</sup> Consistent with the findings of the initial diagnostic, the primary focus of the Working Group's effort has been on process issues relating to the involvement of UCOP and The Regents.

The purpose of this document is to provide a summary of the anticipated recommendations of the Working Group to members of The Regents' Grounds and Buildings Committee in preparation for the special committee session scheduled for February 26<sup>th</sup>. Given the complexity of the current process and preliminary recommendations, this summary will be brief. We anticipate a fuller discussion during the special session.

### ***Issues Highlighted by the Working Group***

Relying on a range of perspectives, and charged with focusing on pragmatic solutions, the Working Group identified the following general issues:

- There are several potentially unnecessary steps in the current capital planning process that correspondingly add unnecessary time, and therefore cost across the entire University system.
- The current management process focuses on project-by-project review for all projects, rather than providing strategic-level guidance and focused review for only the most significant projects
  - Better tools and information for strategic and plan level review and management could be made available to Regents;
  - Regental time is spent on transactional, project level approval rather than strategy<sup>3</sup>

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<sup>1</sup> Throughout this document, "approval" is used to indicate consideration for project approval or denial.

<sup>2</sup> Working Group members are: Katie Lapp, UCOP; Wendell Brase, UC Irvine; Boone Hellmann, UC San Diego; John Meyer, UC Davis; Mike Bocchicchio, UCOP; Pete Blackman, UCLA; Jack Wolever and Joel Michaelsen, UC Santa Barbara; Pat Romero, UCOP. Regent Joanne Kozberg has provided counsel. Advisory and Staff support provided by Secretary and Chief of Staff to the Regents Diane Griffiths; OGC representatives Steve Morrell, Elisabeth Gunther, Kelly Drumm; Lynn Boland, UCOP; and Special Advisor to Chairman Blum Betsy Horan. Monitor has provided analytical and process support to the group.

<sup>3</sup> An estimated 19% of G&B meeting time in 2007 was spent on strategic and planning level discussion

***Anticipated Recommendations***

The Working Group will provide recommendations for the following:

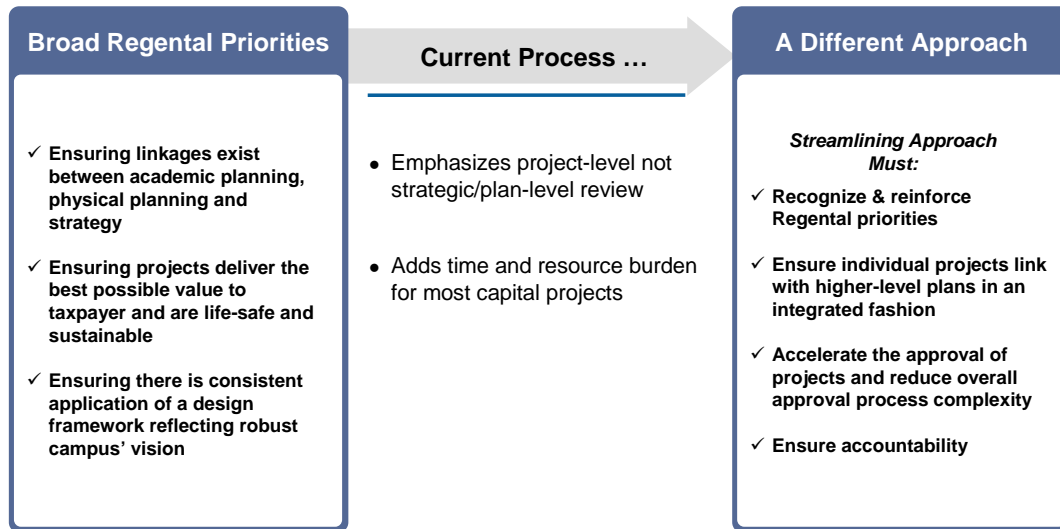
1. A significantly streamlined overall capital project approval process, achieving:
  - Increased strategic, plan-level review for The Regents and UCOP
  - Increased project delivery speed, based on increased responsibility for campuses in the design and delivery of specific projects – subject to an agreed set of criteria tied to approved strategic plans
  - Increased campus accountability through enhanced management and reporting tools
2. Revised capital program related policies and processes, achieving:
  - Increased “credibility” for UCOP via immediate relief of specific concerns held by University stakeholders, per findings of Monitor Phase One Report to The Regents
3. A plan for sharing “exemplary practices” across campuses, achieving:
  - Improved campus-level processes and project delivery speed based on increased system-wide information sharing

The Monitor Group estimates significant annual capital budget savings will be generated by these actions.

The remainder of this document will focus on providing an outline of item 1 above, the proposed streamlined capital project approval process.

## II. OVERVIEW OF THE PROPOSED PROCESS

The Working Group's recommendations for redesigning the capital projects process are founded on two fundamental ideas. The first is that any process revision must ultimately tie back to Regental priorities. Figure 1 illustrates the "Point of Departure" for the Working Group, formulated to address concerns with the current process within the framework of broad Regental priorities.

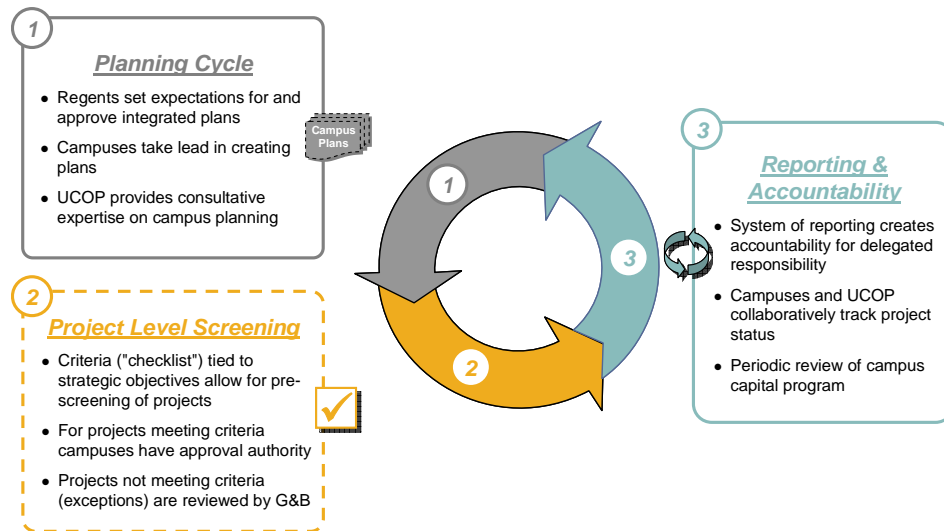


**Figure 1:** "Point of Departure" for The Working Group. Regental priorities will be confirmed during the upcoming special session.

The second idea fundamental to this process redesign is that capital projects vary in their complexity and, thus, a one-size-fits-all review process is inefficient. The current capital project process requires a large and heterogeneous group of projects to go through UCOP and The Regents. The proposed process establishes different approval paths based on level of project complexity<sup>4</sup>, where "complexity" is defined along multiple dimensions, not just cost. Only "complex" or "non-standard" projects would continue to receive comprehensive project-level review by both UCOP and The Regents. All other projects will be delegated to the Chancellors. For the time being, State-funded projects will continue to require the same UCOP and Regental reviews that "complex" projects will.

By necessity, this delegation of project approval to the Chancellors for most aspects of capital projects will require a greater level of rigor and consistency in both planning and reporting by participating campuses. At a high level, the model proposes three interlinked components, illustrated in Figure 2, and further described below.

<sup>4</sup> Further definition of criteria classifying a project as either standard or complex will be discussed during the upcoming special session.



**Figure 2: Key model components**

### 1. Planning Cycle:

In the first phase of the proposed process, the Planning Cycle, campuses will invest in creating a refined set of linked physical, capital, and financial plans based on guidelines approved by The Regents. These plans enable The Regents to move to portfolio level oversight, focusing on campus-level strategic issues rather than the review of every individual project. Campuses would create and submit the following set of interconnected plans:

- The **Capital and Financial Plan** outlines both how the capital program will meet the campus' academic and strategic objectives, and how the campus intends to fund that program. In the short term (2 years) it details specific projects and their financial feasibility, while the long term (10 years) focuses on capital needs and higher level funding strategies. In providing project-level details, the short term plan lays the framework for approval at the campus level.
- The **Physical Vision Plan** outlines a framework for the campus' design of its physical environment based on a series of goals and objectives consistent with the campus' long-range development plan (LRDP). It also describes the campus process for ensuring projects included in the capital plan meet those objectives.
- The **LRDP** remains as is, providing a campus-level framework of land-use designations to meet academic objectives and within which projects can be planned.

### 2. Project Level Screening:

The proposed process allows for "standard" capital projects to be approved by the campus Chancellor, provided they are consistent with the above plans, meet standing Presidential and Regental policy requirements, and remain within the criteria classifying a standard project. However, all projects will continue to be reviewed by OGC for CEQA compliance and by UCOP for financial feasibility. Additionally, UCOP is provided a finite and pre-determined period of time to channel a project into the process for "non-standard" projects, if it determines

that the project is subject to issues that should be reviewed and discussed by the Regents. Typically, Regental and Presidential project-level review would take place only for “non-standard” projects (see Appendix I for process map).

- Campuses and UCOP would use a checklist to screen a project and to document the project review process. The **Checklist** codifies all the elements against which a project is evaluated for approval by the Chancellor. It allows the Chancellor to attest that the project has not substantially deviated from the plans and complies with Presidential and Regental policies, and any applicable legal requirements. The form of the Checklist itself will be approved by the Regents.

### 3. Reporting and Accountability:

An Annual Campus Capital Program Report will be created to inform management of systemwide interests and the University’s strategic direction. By documenting the campus response to both Regental and system-wide priorities, this report will enable accountability and effective feedback during the campus’ next planning cycle. The Annual Campus Capital Program Report will include:

- The **Project Data Report**, reporting the campus’ adherence to plans and aggregated performance on specific metrics of Regental and Presidential interest for all projects completed in the last planning cycle.
- A **Physical Environment Review**, reviewing the campus’ implementation of its Physical Vision Plan through a regular G&B campus visit and by a self assessment survey of faculty, students, and staff.
- An **Audit**, monitoring the factual validity of information reported by the campus throughout the process, along with Regental and Presidential policy compliance.

## III. SUMMARY OF THE ROLES OF PARTICIPANTS IN THE PROPOSED PROCESS

One of the principles driving the overall restructuring initiative is the importance of clearly defining the roles and responsibilities of the various participants in the process steps being redesigned. Appendix II outlines proposed decision rights for The Regents, UCOP, and the campuses. A summary of the roles follows below.

### The Regents

Improved planning and reporting documents will enable The Regents to shift emphasis from project-by-project review to more involvement in campus plans and strategic system-wide issues.

The Regents would approve plan guidelines, campus plans and checklist criteria. Project-by-project review will continue for “complex” projects.

## **UCOP**

The role of UCOP is clarified. During campus capital project planning, UCOP is a ‘service provider’ to help campuses identify and mitigate legal or financial risks as early in the process as possible. During project level screening, campus proposed capital projects will be submitted to UCOP for review by OGC for CEQA compliance and by UCOP for financial feasibility. UCOP’s interventions are based on clearly pre-agreed criteria, and on matters of law.

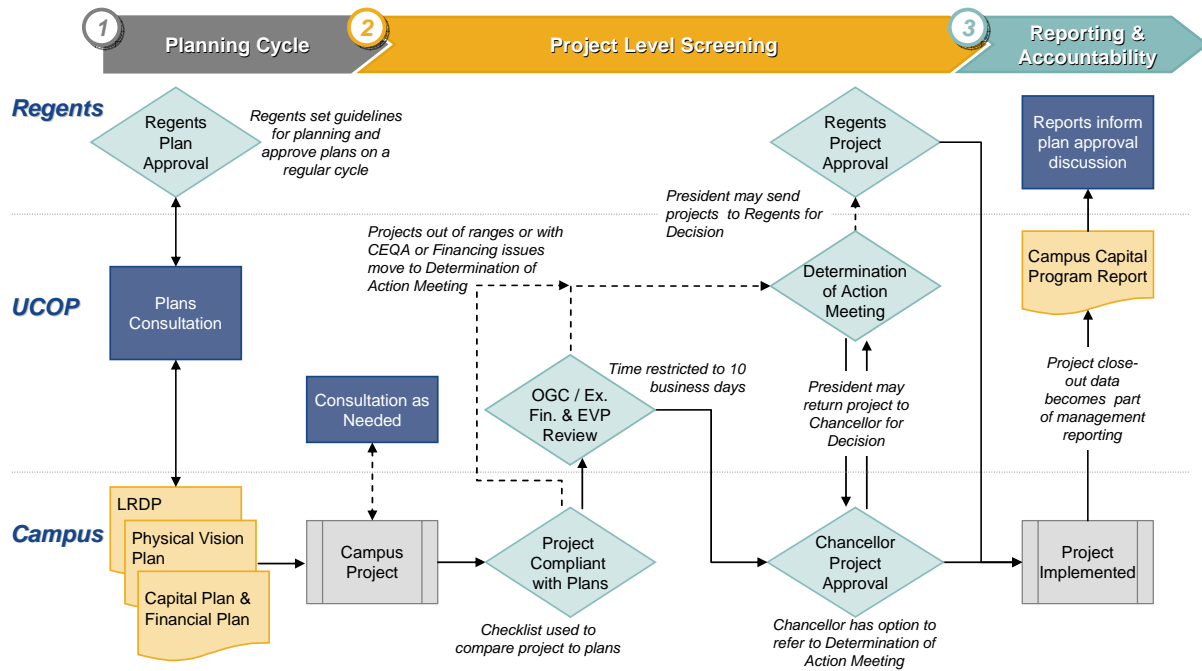
## **Campuses**

As experts on local conditions and needs, campuses will adopt responsibility and accountability for ensuring the successful delivery of most capital projects through an investment in planning and the reporting of project data (e.g., variance from plan). For “standard” projects approval will be by the chancellor.

We look forward to discussing the Working Group’s anticipated recommendations more fully on February 26th.

## Attachment I: Summary Level Map of the Proposed Process<sup>5</sup>

The figure below provides a visual representation of the process described above:



<sup>5</sup> In this figure, "approval" is used to indicate consideration for project approval or denial.

## Attachment II: Summary of Decision Rights in the Proposed Process

Decision rights are a way of describing the distribution of authority in a process or organization. They will be introduced in the special session to help explain the proposed process. There are five discrete types of decision right, each of which have accompanying guidelines for allocation:

- **Input:** Right to provide input before a decision is made. Includes information, data, analysis or recommendation. Automatically includes Notify rights.
  - Should be allocated to those who must provide a critical input into the decision-making process
- **Make:** Right to make decision in light of key input gathered. Also entails being held accountable for the decision.
  - Only one person/group should have this right to ensure clear accountability
- **Ratify:** Right to approve or overturn the decision and monitor decision outcomes. Essentially a veto right.
  - Make and Ratify rights must be separated
- **Notify:** Right to be notified of a decision outcome after the fact.
  - Should be allocated to those who will need to use the information elsewhere in the process
- **Appeal:** Ratify right only used to overturn “Make” decisions; may be time delimited

Key Decisions		1	2	Project Development			Project Approval			3
		Set Plan and Checklist Guidelines	Plan Approval	Project Compliant with Plans	OGC CEQA Review	External Finance Review	Determination of Action Meeting	Chancellor Project Approval	Regents Project Approval	Campus Capital Program Report
Regents	COF		N							N
	G&B	R	R		N		N		M	N
OGC		I			I		I			
UCOP	President	R	R		A R	N	M	N	I	R
	EVP	M						A R		
	Other	I F.A. E.F. Budget	I F.A. & Budget	N F.A. & Budget	I F.A.	R Ext.Fin.	I F.A. E.F. Budget			M TBD*
Campus	Chancellor	I	M	R	M	M	I	M	I	I
	Other		I	M	I	I		I		

Note: At UCOP or a campus, when the President or the Chancellor does not have make or ratify rights they are assumed to be delegated. 'Appeal' is a ratify right only used to overturn decisions. \* TBD could be UCOP led team, consisting of F.A. staff, outside specialists, and/or the University Auditor

Input	Make	Ratify	Appeal	Notify
I	M	R	A R	N