TO MEMBERS OF THE COMMITTEE ON GOVERNANCE:¹

ACTION ITEM

For Meeting of January 22, 2015

AMENDMENT OF STANDING ORDER 100.4 – DUTIES OF THE PRESIDENT OF THE UNIVERSITY

EXECUTIVE SUMMARY

The pilot phase of the Delegated Process for Capital Improvement Projects, adopted by the Regents in 2008 to increase campuses’ approval autonomy for certain capital projects, is scheduled to end March 31, 2015. This item extends the pilot phase by two years to March 31, 2017, and makes conforming changes to Standing Order 100.4(q)(2) and (nn)(2): Duties of the President of the University, involving capital project budget and external financing approvals. Additionally, the proposed action would raise the $60 million Delegated Process approval threshold to $70 million.

A related item conforming Regents’ Policy 8102: Policy on Approval of Design, Long Range Development Plans, and the Administration of the California Environmental Quality Act to extend the pilot phase will be considered by the Committee on Grounds and Buildings.

The amendments to Policy 8102 would become effective upon final approval of the amendments to the Standing Order recommended in this item, which is anticipated to occur at the March 2015 Regents’ meeting.

RECOMMENDATION

The President of the University recommends that the Committee on Governance recommend to the Regents that, following service of appropriate notice, the Regents:

1. Amend Standing Order 100.4 – Duties of the President of the University as shown in Attachment 1.

2. Increase the $60 million Delegated Process approval threshold to $70 million as shown in Attachment 1.

¹ Of interest to the Committee on Grounds and Buildings and the Committee on Health Services
BACKGROUND

In March 2008, the Regents authorized an 18-month pilot phase (referred to variously as “Pilot Phase of Redesigned Process,” “Redesigned Process,” “Pilot Phase of Process Redesign,” and “Pilot Phase of the Delegated Process,” and referred to herein as “pilot phase”) to implement a new delegated approval process for capital projects. In January 2010, the pilot phase was extended an additional year to March 2011. In January 2011, the pilot process was extended another two years to March 2014. The extensions provided additional time for all campus entities to: (i) develop and submit their Ten-Year Capital Financial Plans and Physical Design Frameworks to the Regents for acceptance, as required to participate in the pilot phase (in addition to approved Long Range Development Plans), and (ii) to commence submittal of projects under the new process.

In January 2014, the Regents extended the pilot phase for another year to March 2015 in order to provide time for a sufficient number of projects to produce data to evaluate the effectiveness of the process. In November 2014, the Committee on Grounds and Buildings received a comprehensive presentation on the Delegated Process for capital improvement projects. At that meeting, members of the Committee stated their support for an extension of the pilot phase.

The President also recommends that the $60 million Delegated Process approval threshold be increased to $70 million. The $60 million threshold was established in 2008 with an associated California Construction Cost Index (CCCI) of 4999. The December 2014 CCCI is 5959, a 19.2 percent increase since 2008. If the Delegated Process threshold was based on the current CCCI, the rounded dollar threshold would increase to $70 million. For augmented projects resulting in a total project cost in excess of $70 million, the augmented project shall be approved by the Regents.

**Key to Acronyms**

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<tr>
<th>Acronym</th>
<th>Description</th>
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<td>CCCI</td>
<td>California Construction Cost Index</td>
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Attachment 1: Standing Order 100.4(q)(1), (q)(2), (nn)(1), and (nn)(2)
Additions shown by underscoring; deletions shown by strikethrough

STANDING ORDER 100.4

DUTIES OF THE PRESIDENT OF THE UNIVERSITY

* * *

(q)(1) Except as provided in paragraph (q)(2) below, the President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed $10 million. The President is also authorized to approve amendments to the Capital Improvement Program for projects exceeding $10 million up to and including $20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Grounds and Buildings, and also provided that all actions taken in excess of $10 million up to and including $20 million under this authority be reported at the next following meeting of the Board. However, the following shall be approved by the Board: (1) projects with a total cost in excess of $20 million, (2) for projects in excess of $20 million, any modification in project cost over standard cost-rise augmentation in excess of 25%, or (3) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications.

(q)(2) This paragraph shall apply exclusively to capital projects for those campus entities approved by the Committee on Grounds and Buildings for inclusion in the Pilot Phase of the Delegated Process for Capital Improvement Projects.

The President is authorized to approve amendments to the Capital Improvement Program for projects not to exceed $70 million. However, the following shall be approved by the Board: (1) projects with a total cost in excess of $70 million, (2) capital improvement projects of any construction cost when, in the judgment of the President, a project merits review and approval by The Regents because of special circumstances related to budget matters, external financing, fundraising activities, project design, environmental impacts, community concerns, or substantial program modifications. The President is authorized to approve an increase in project cost as long as the total augmented project cost remains under $70 million; for augmented projects resulting in a total project cost in excess of $70 million, the augmented project shall be approved by the Board.
This paragraph shall become inoperative and is repealed on March 31, 2017, March 31, 2015, unless a later Regents’ action, that becomes effective on or before March 31, 2017 March 31, 2015, deletes or extends the date on which it becomes inoperative and is repealed.

* * *

(nn)(1)
Except as provided in paragraph (nn)(2) below, the President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including $10 million for the planning, construction, acquisition, equipping, and improvement of projects. The President is also authorized to obtain external financing for amounts in excess of $10 million up to and including $20 million, provided that concurrence is obtained from the Chairman of the Board and the Chairman of the Committee on Finance, and also provided that all actions taken to obtain external financing for amounts in excess of $10 million up to and including $20 million be reported at the next following meeting of the Board. External financing in excess of $20 million requires Board approval. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President's authority to issue such refinancing shall not be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

(nn)(2)
This paragraph shall apply exclusively to capital projects for those campus entities approved by the Committee on Grounds and Buildings for inclusion in the pilot phase of the Delegated Process for Capital Improvement Projects.

The President shall be the manager of all external financing of the Corporation. The President is authorized to obtain external financing for amounts up to and including $70 million for the planning, construction, acquisition, equipping, and improvement of projects. The President shall have the authority to (1) negotiate for and obtain interim financing for any external financing, (2) design, issue, and sell revenue bonds or other types of external financing, (3) issue variable rate or fixed rate debt, and execute interest rate swaps to convert fixed or variable rate debt, if desired, into variable or fixed rate debt, respectively, (4) refinance existing external financing for the purpose of realizing lower interest expense, provided that the President’s authority to issue such refinancing shall not
be limited in amount, (5) provide for reserve funds and for the payment of costs of issuance of such external financing, (6) perform all acts reasonably necessary in connection with the foregoing, and (7) execute all documents in connection with the foregoing, provided that the general credit of The Regents shall not be pledged for the issuance of any form of external financing.

This paragraph shall become inoperative and is repealed on March 31, 2017, unless a later Regents’ action, that becomes effective on or before March 31, 2017, deletes or extends the date on which it becomes inoperative and is repealed.

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