CAPITAL BUDGET MANUAL

SAN FRANCISCO STATE UNIVERSITY
BUDGET ADMINISTRATION AND OPERATIONS OFFICE

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Capital Budget Framework

The capital budget's core function is to help control expenditures. Spending limits are set by the San Francisco State University (SF State) through the adoption of the capital budget and the authorization for individual capital projects. Just like an annual operating budget, a multi-year capital budget can require difficult decisions and involves balancing of scarce resources with apparently unlimited demands. All the preliminary work will make decisions more manageable, and not everything has to be accomplished and paid for in a single year. Within fiscal constraints, the nature and importance of individual projects will dictate which ones will be performed in year one and which ones will be accomplished in years two, three, four, and beyond.

The capital budget is, in general, adopted at the same time as the University's annual consolidated budget and may either be a section of that budget or attached as a separate document. The capital budget's financial overview lists the capital projects to be funded in the current year and the funding source and expenditure projections.

A detailed description of each project is listed in the capital budget, along with a statement of purpose, the method of financing, and a schedule for completion.

Funding

Capital projects and acquisitions can consume large amounts of financial resources. A multi-year capital plan helps manage this consumption by scheduling expenditures over a number of years and creating a financial plan to meet those expenditures. A long-term schedule of capital projects gives organizers time to arrange for sufficient financing.

A financing strategy should balance expected project requirements with good fiscal practices. Adhering to established financial policies, establishing accurate cash flow projections, and considering various funding alternatives are just ways to achieve this balance.

There are a number of options for financing capital projects and purchases, especially several years in advance to arrange for funding.

A good plan will allow leadership to examine each of these funding options and pursue the best combination for the University.

Option I: University Resources

State Appropriations & Tuition Fees

The first option a state university should examine when considering capital project financing is funding all or some of a project by appropriations from the annual operating budget, which is a large component of what is sometimes called pay-as-you-go financing. The most common sources of this funding are state appropriations and tuition fees.

Each year's budget may contain provisions for partial or total funding for chosen assets. For example, it could provide funding for a certain number of new work trucks in each year's budget, to be paid out of current appropriations. Advantages of pay-as-you-go financing include improving the University's overall financial condition by increasing flexibility to adapt to future circumstances and preserving the ability to borrow for other needs. It can also expedite small or recurring projects.

Pay-as-you-go practices can provide an equitable and cost-effective financing option for those capital items that are replace regularly. The benefit of receiving new equipment every year is matched with the annual payments.

The major disadvantage of using current appropriations is a potential need to implement an increased fee. Besides being administratively unpopular, increasing fees are not expected at this time. Opportunity costs can occur if resources used for other purposes are tied up in funding capital projects.

Fund Balances (Reserve)

The University needs to maintain a reasonable fund balance as insurance against unanticipated expenditures or revenue shortfalls. The portion of the fund balance that is allowed for capital financing is the unreserved fund balance.

The University's fund balance cannot exceed six months of the budget year's operating revenues.

The danger in relying on fund balances for capital financing is that they may decrease or become unavailable in future budget years; therefore, it is important to establish reasonable projections and maintain other financing options.

Trust Funds

To warrant that the money is available when needed for capital purposes, the University should consider establishing reserve funds. Through proper determination, the University can develop reserve funds earmarking resources to acquire essential capital assets. For example, reserve funds may be funded through an available fund balance or appropriations. The use of such reserve funds would then be listed as a funding source, where applicable, in a multi-year

capital plan. The reserve funds include designated Campus Reserves – Improvements (Campus-I) and designed Campus Reserves – Maintenance (Campus-M).

Enterprise Program Funds

Enterprise programs/activities/fund sources include facilities, goods or services to students, faculty, staff, or the general public. An enterprise typically charges a user fee, rent, or other charges directly related to, although not necessarily equal to, the cost of the facilities, goods or services. These funds consist of all revenues received from dormitories, housing facilities, health facilities, student union or activity facilities, parking facilities acquired or constructed by the Trustees, and self-support instructional programs. The University Enterprise can establish reserve funds construction, earmarking resources to acquire essential capital assets through proper determination. For example, reserve funds may be funded through an available fund balance or appropriations.

The use of such reserve funds would be listed as a funding source, where applicable, in a multi-year capital plan.

Option II: State and Federal Assistance

State and federal assistance may come in grants and/or low-interest or zero-interest loans for qualified projects. A good source for updated information on grants offered by California is Grants.gov, which lists funding administered by state agencies.

Additional useful online resources include the following:

- For information on state contracts, which can allow a local government substantial savings on the purchase of equipment, visit the website California Department of General Services.

  For details regarding federal assistance, visit the website Assistance Listings (Formerly Catalog of Federal Domestic Assistance - CFDA) Assistance Listings are the government-wide compilation of federal programs, projects, services and activities that provide benefits to the public. It contains financial and non-financial assistance programs administered by departments of the federal government.

Option III: Private Funding

Donations and grants (DON/GRA) are at the head of any financing wish list. The University should examine financing from federal and state sources and take advantage of any private

gifts or services available to help acquire equipment or reduce a project's cost. Depending on the particular terms and conditions, CSU /UC cooperative arrangements may also be possible, often subject to negotiation.

There also may be instances when private firms or individuals can provide funding for capital projects or acquisitions, and that funding source should not be overlooked. Public/Private-Partnerships (P3) work best for large-scale projects in which the private entity receives a tangible (or, sometimes, intangible) benefit. For example, corporations may bid on naming rights to an athletics stadium or performing arts venue, providing the University with significant funds. Philanthropic organizations may be the source of grants or gifts. A community or fraternal organization may contribute money or labor to a project that will enhance the community as a whole.

With the limited state and CSU revenues available for cogeneration and other major capital outlay energy projects, the legislature has permitted alternative financing arrangements, including tax-exempt bond financing for energy projects and third-party financing. The Board of Trustees (BOT) has encouraged campuses to seek alternative means of financing energy efficiency projects in keeping with the CSU program to conserve energy. The CSU partnered with the University of California (UC) and the investor-owned utilities (IOUs) to reduce greenhouse gas (GHG) emissions in the lowest-cost way possible. Through the partnership, local electric and natural gas utilities provide incentive funding to complete campus energy-efficiency projects.

Option IV: Financed Funding

Issuing debt allows a university to pay for capital infrastructure and equipment that it might not otherwise be able to afford.

Below is a brief overview of types of debt that can be issued for capital projects:

- General Obligation Bond (GO). State general obligation bonds rely on the "full faith and credit" of the California state. The state pays the principal and interest of the GO bond from all legally available funds. The state uses it to finance infrastructure projects, including roads, bridges, water and sewer facilities, levees, K-14 schools, public universities and other critical public works projects.
- Statewide Revenue Bond (SRB). SRBs are a form of long-term borrowing the state uses to finance public improvements, including state office buildings, state universities, prisons, and food and agricultural facilities. Like a General Obligation (GO) bond, an SRB is, in effect, an IOU. Unlike GO bonds, however, SRBs are not backed by the full faith and credit of the state, and may be authorized by law without voter approval. Revenue bonds are a form of long-term borrowing state agencies use to finance an income-generating project,

such as water projects, higher education facilities, or other public facilities built with the financing proceeds. Income generated by the project goes first toward meeting debt service on the bonds (i.e., paying interest to bondholders) and retiring the bonds at maturity.

- Commercial Paper (CP). CP is an unsecured form of promissory note that pays a fixed rate of interest. Large banks or corporations typically issue it to cover short-term receivables and meet short-term financial obligations, such as funding for a new project.
- Lease-Purchases (also known as Installment Purchases). Typically secured by the property or equipment being financed, these are purchases with payments occurring over time.

Regardless of the type of debt used to finance a capital project, the principal and interest payments to retire the debt must be planned for in each year's budget for the life of the obligation. Similarly, periodic lease-purchase payments must be accounted for in the capital plan.

For more information of fiscal resources, visit the website Fiscal Resources for Campus Development.

The Capital Budgeting Process

a. San Francisco State University maintains a five-year capital plan, which includes a one-year capital budget and a plan for the next four years.

b. Each February, the Capital Planning, Design and Construction (CPDC) division will ask departments and schools for project proposals to be considered for funding as the next fiscal year's capital budget is developed. CPDC consolidates capital budgets for review by the management center.

c. Each school or department must prioritize requests internally and identify funding sources in their submission.

d. The CPDC will receive all department and school project requests, estimated and consolidated for CPDC review, estimation, and submission to the management center for further review.

e. Capital budget requests are coordinated through the appropriate management center, which must review and approve them before they are submitted to the Vice President (VP) & Chief Financial Officer (CFO) of Administration and Finance.

f. When necessary, the VP & CFO of Administration and Finance will request a meeting to discuss project details.

g. Capital projects expected to span more than one fiscal year require a cash flow analysis prepared by the CPDC.

h. In addition, the management center analyzes the annual capital plan's impact on debt ratios (i.e., expendable resource ratio, interest expense to operations, and debt service coverage ratio).

i. Each May-June, the University submits the five-year capital improvement plan to the Chancellor's Office for projects that are classified as Capital Improvement Projects (CIMP), state or non-state funded projects, and includes the capital budget for the next fiscal year and recommends approval to the BOT. The University president will review and approve the submittal. The detailed process is outlined in the State University Administrative Manual SUAM Section VII [Five-Year Capital Improvement Program Procedures and Formats for Capital Outlay Submission].

j. Each year in November, the Board of Trustees will approve the final five-year capital improvement plan.

k. Only the VP for Administration and Finance may modify the capital budget, which is the first year of the five-year capital plan. However, schools and departments may continue to update out-year plans (i.e., plans for years two through five) with the most current information.

Project Budget Development

a. All project budgets are developed by CPDC project managers on the total project budget development sheets and then entered onto the SF State Project Charter Form (PCF).

b. Project budgets evolve and solidify as the design progresses. Larger projects go through four stages of cost estimates:

1) a "place holder" estimate included in the early planning phase(s)

2) a preliminary estimate after scope definition

3) a more refined cost estimate after a feasibility study

4) a firm construction estimate, after design and bidding

c. The total project budget includes construction costs, consulting expenses, 7% project construction management fees as endorsed in SUAM Section IV [Fiscal Resources for Campus Development], the initial complement of furniture and fixtures, expenses related to relocation of utilities and non-utility infrastructure, contingency, and any other major expense.

d. Related capital construction projects, such as utility infrastructure that is not a part of the project budget, should be disclosed as supplemental information on the PCF to keep the CPDC and the Financial Services Department informed about the total cost of the construction project. The CPDC will report significant utility infrastructure costs separately from the total project budget.

e. Every project budget, regardless of the type, must include a contingency budget line. A contingency is required for the following: design, program, owner, and construction. The contingency must at minimum be 10% of the project construction cost. This amount will vary depending on the nature and scope of the project.

f. The sponsoring department or project champion must develop a financial plan for funding the construction and future operational costs. This plan must be included with the PCF.

g. The project accountant will regularly review and distribute a capital projects financial report to senior administration, including approved budgets, actual-to-date information, expense/funding projections, contingency report, unsolved issues, and project milestones.

h. CPDC is responsible to issue the PCF amended and follow the project approval requirements. An amended PCF is required for the following instances:

1) Any dollar ($) value change increase or decrease to its original allocation

2) Original project scope change with no ($) value of the original allocation

3) Project cancellation/close

4) Project title change

5) Project scope merge

i. Any capital project cost savings will be reimbursed after the project closing process to the project requestor with the exception of projects funded from the campus reserve.

Project Types Description

There are several types of capital projects reported in the capital plan, and they follow stipulations of the SUAM Section I [Capital Outlay and Public Works Contracts], and the CSU Legal Manual [Chapter 15]. The SF State capital project includes the following types of projects:

Capital Improvement Projects (CIMP): An activity which improves or alters an existing space or creates new space. New construction of facilities, buildings, equipment, roads, sidewalks, sewer and water systems, utility infrastructure, and grounds are all capital expenditures, as distinguished from maintenance/repair.

Non-Recurring Maintenance/repair (NRMR) -Deferred Maintenance (DM): Work required to restore facilities, buildings, equipment, roads, sidewalks, sewer and water systems, utility infrastructure, and grounds to their original condition or to such condition that they can be effectively used for their intended purpose, ensuring the ongoing operation of the campus. Typically, this work occurs in cycles greater than one year (and is not funded as part of the new space budget allocation). Some campuses budget non-recurring maintenance separately and, for example, may establish (1) use of one-time funds for such expenditures, or (2) set aside permanent base funds to address non-recurring maintenance and deferred maintenance.

Capital Outlay includes CIMP and NRMR projects as follows:

Major Capital Projects

Major capital projects include major capital improvement; capital outlay projects that cost more than $1,103,000 are considered major projects. These may include new facilities/infrastructure and existing facilities/infrastructure with critical deficiencies or modernization/renovation. State site acquisitions projects, regardless of the amount, are funded in major capital outlay.

Minor Capital Projects

Minor capital projects are composed of construction projects whose estimated cost is less than or equal to $1,103,000. Minor capital projects, whose scope of work includes any remodeling or additions, require conformance with guidelines for accommodating disabled individuals. An American with Disabilities Act (ADA) Transition Plan was prepared for each campus to address access deficiencies. ADA compliance projects of the University are funded primarily through the operating budget. Facility Services Enterprise (FSE) and CPDC prioritize these projects according to need and funds availability. The approval of the capital budget authorizes facility renewal/ADA projects in aggregate.

Acquisition of Real Property

The transaction of property purchase must acquire the Department of Finance (DOF), Department of General Services (DGS) approval.

Real Estate Leases and Leasehold Improvements

Real Estate Leases and Leasehold Improvements include any lease (operating or capital) for space, as well as up-front costs of tenant upfit, leasehold improvements, and fixed equipment. A Short Term lease ++- Less than 20 years or involving an annual payment of less than $1 million requires Campus President Approval. A Long Term Lease ++20 years or greater involving annual payments over $1 million requires Chancellor Office (CO) approval.

Equipment

Equipment purchase for major /minor construction equipment group II and equipment substitutions. Group II equipment is programmatic-specific but generally is movable and does not require significant utility connections. Group II items are not a part of the construction contract and are budgeted in a separate budget phase. Examples: tables, chairs, microscopes, hand-held electric tools, computers, cameras.

Project Approval Requirements

The following approvals are required prior to initiation of work and/or commitment of funds to a project. Any exceptions must be approved by the Vice President (VP) & Chief Financial Officer (CFO) of Administration and Finance (A&F).

a. A funding plan for multi-year projects must be established before a project is considered for approval.
b. The project ID must be issued on every project for which CPDC provides a project estimation. No funds are to be spent or committed before issuing a project code and the project charter approval.

c. Related contracts or Notices to Proceed require appropriate approval in addition to the approval of a project.

d. The requesting department ensures that adequate funding is available and regularly transferred to the project code to prevent overdrafts. All parties must document and understand funding detail for projects funded from multiple sources, with an explicit agreement as to the timing, amount, and person responsible for such funding transfers. The Financial Services Department (FSD) is authorized to transfer funds from the designated funding source to cover such overdrafts.

e. Minor Capital Projects (CIMP & NRMR)

   Cost: Less than or equal to $1,103,000

   Funding sources: Departmental reserves, central reserves, gifts/grants

   Required approvals: Dean, Director or Department Head, AVP of CPDC, FSD, BAO, and VP & CFO of A&F

   Planning: The VP of Administration & Finance approves these projects in aggregate in the annual capital budget, where they are presented according to the area of financial responsibility (e.g., Academic, Athletics, Housing, Parking, or CCCS). An actual/budget comparison will be reported quarterly. Any unfavorable variance to the aggregate budget (by financial responsibility) requires a written explanation from the appropriate department budget official.

f. Major Non-Recurring Maintenance and Repair Projects (NRMR)

Cost: More than $1,103,000 (NRMR) and does not require BOT approval (except if debt financing is needed)

Funding sources: Departmental reserves, central reserves, internal loans, gifts/grants, or external debt. The VP of Administration & Finance must approve any external debt financing by resolution.

Required approvals: Dean, Director or Department Head, AVP of CPDC, FSD, BAO, VP & CFO of A&F, and President.

Planning: An aggregate amount (by financial responsibility) will be included for approval in the annual capital budget. An actual/budget comparison will be reported quarterly. Any unfavorable variance to the aggregate budget (by financial responsibility) requires a written explanation from the appropriate management center budget official (FSD, BAO, and VP & CFO of A&F).

g. Major Capital Improvement Projects (CIMP)

Cost: More than $1,103,000 (CIMP) requires BOT approval[1]

Funding sources: Departmental reserves, central reserves, internal loans, gifts/grants, external debt financing.

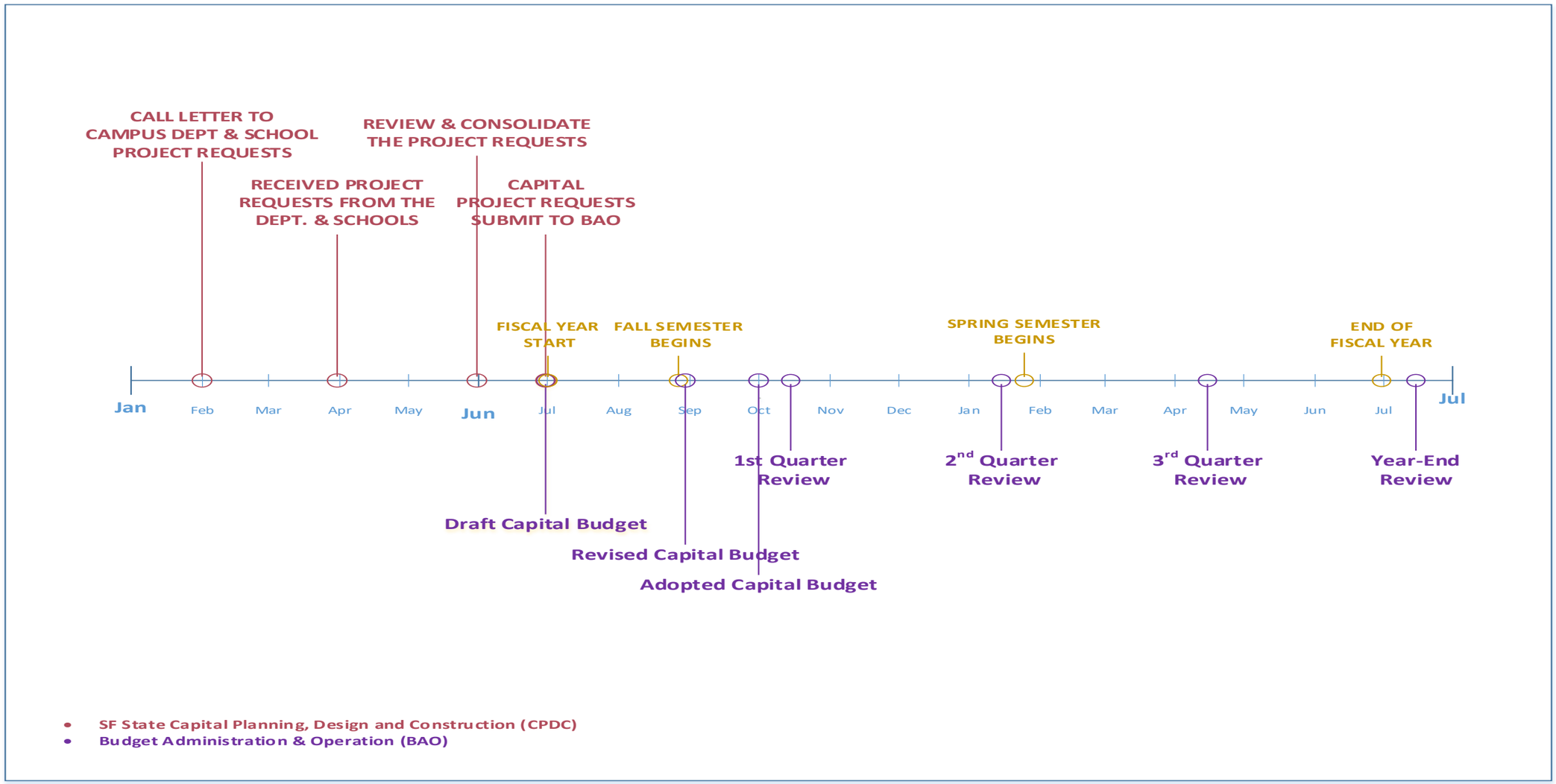
Required approvals: AVP of CPDC, FSD, BAO, VP & CFO of A&F, and President, and BOT.

Planning: A capital project report will be included in Campus Planning Committee materials at each of the committee's regular meetings. Major Capital Projects will follow the SUAM Section VII [Five-Year Capital Improvement Program Procedures and Formats for Capital Outlay Submission].

[1] The Standing Orders delegate authority from the Board of Trustees (BOT) to the Chancellor has been revised and effective in March 2018. BOT authorizes the Chancellor to approve the capital outlay budget and scope of projects, the schematic design of new buildings or additions, and debt financing for projects valued up to $40 million associated California Environmental Quality Act (CEQA) documents. the schematic design of new buildings or additions, and debt financing for projects valued up to $40 million associated California Environmental Quality Act (CEQA) documents.

The VP & CFO of A&F must approve the budget, and each stage of the project budget, for each major project.

SF State Capital Budget Timeline



Accounting, Reporting, and Controls

a. All SF State capital projects must use the following PeopleSoft (PS) chart combination:

b. CSU Fund Matrix for Capital Projects[2]:

		Unrestricted		Restricted		
	"Funding Source"	**Non-Recurring Maintenance and Repair CSU Funds**	**Internally Funded Capital Improvement CSU Funds**	**Financed CSU Funds**	**Externally Funded NRMR CSU Funds[4]**	**Externally Funded CIMP CSU Funds [4]**
	Purpose	To record **"non-recurring"** maintenance and repair (NRMR) expenditures	To record capital improvement project (CIMP) expenditures	To record Long & Short Term **financing** NRMR & CIMP projects	To record "non-recurring" maintenance and repair (NRMR) from externally funded sources	To record CIMP Donations for a project
Non-Enterprise Funds	485 - TF-CSU Operating Fund	486 - TF-Academic Maintenance & Repair (PM001)	487 - TF-Academic Capital Improvements (PC001)	230 - DCF-Academic Capital Outlay (DCxxx => set up per AO received)	550 - TF-Restricted Expendable-Capital Projects (TX501)	550 - TF-Restricted Expendable-Capital Projects (TX500)
	General Fund	017 - General Fund Capital Outlay (GCxxx => set up per AO/CPO)	017 - General Fund Capital Outlay (GCxxx => set up per AO/CPO)			
	463 - Instructional Related Activities (IRA)[5]	491 TF-Special Projects Fund-Special Projects (ST501)	491 TF-Special Projects Fund-Special Projects (ST500)			
	496 TF-Miscellaneous Trust[3]	491 TF-Special Projects Fund-Special Projects (ST501)	491 TF-Special Projects Fund-Special Projects (ST500)		550 - TF-Restricted Expendable-Capital Projects (TX501)	550 - TF-Restricted Expendable-Capital Projects (TX500)
Enterprise Funds (Self-Support)	Auxiliary Organization	538 - Auxiliary Org.- Maintenance & Repair[2] (TB503)	539 - Auxiliary Org.-Capital Improvement[2] (TB501 => in general, TB500 => Holloway Housing Project Only)	228 - Auxiliary Organizations	538 - Auxiliary Org.- Maintenance & Repair	539 - Auxiliary Org.-Capital Improvement
	Housing	532 - TF-Housing Maintenance & Repair (TM503)	533 - TF-Housing Capital Improvements (TD501)	221 - DCF-Housing (DC106 => housing acquire stownstown per project)	532 - TF-Housing Maintenance & Repair (TD502)	533 - TF-Housing Capital Improvements (TD500)
	Parking	474 - TF-Parking Maintenance & Repair (TP503)	473 - TF-Parking Capital Improvements (TP500)	222 - DCF-Parking (DCxxx => set up per project)	474 - TF-Parking Maintenance & Repair (TP502)	473 - TF-Parking Capital Improvements (TP501)
	Health Center	454 - TF-Facility Maintenance & Repair (TH503)	453 - TF-Facility Capital Improvements (TH500)	223 - DCF-Auxiliary Facilities (Used for Health Facilities)	454 - TF-Facility Maintenance & Repair (TH502)	453 - TF-Facility Capital Improvements (TH501)
	Student Union	535 - TF-Camp Union Maintenance & Repair (TU503 => Student Union, TU507 => Student Rec.)	536 - TF-Campus Union Capital Improvements (TU502 => Student Union, TU506 => Student Rec.)	224 - DCF-Campus Unions (DCxxx => set up per project)	535 - TF-Camp Union Maintenance & Repair (TU501 => Student Union, TU505 => Student Rec.)	536 - TF-Campus Union Capital Improvements (TU500 => Student Union, TU504 => Student Rec.)
	Extended Education	443 - TF-Extended Education Maintenance & Repair (TC801)	442 - TF-Extended Education Capital Improvements (TC800)	229 - DCF-Extended Education	443 - TF-Extended Education Maintenance & Repair (TC803)	442 - TF-Extended Education Capital Improvements (TC802)

[2] **1**-Not used. **2** - Use only when the Auxiliary is benefiting from the project. Auxiliary donations should be recorded to the enterprise fund benefitting from the donation or non-enterprise projects are to be recorded to CSU fund 550. **3**- Permanent transfer of funds should use Transfer in/out accounts while loans are to use Due to/from accounts. **4**- The default net asset category (NAC) of CSU fund 550 is 834 Restricted Expendable-Capital Projects. However, the Enterprise Funds default NAC is 881 Unrestricted and therefore a GAAP override for the restricted portion is required to NAC 834 Restricted Expendable-Capital Projects. **5**- Mandatory IRA fee must be approved for this specific purpose. Revenues other than then mandatory IRA fee recorded in this CSU fund are not subject to this restriction.

c. Fund-unique department ID 6270- Capital Projects – Capital outlay object code –account and mandatory/unique project identifier.

d. For all NRMR and CIMP projects, it is recommended to use the account series of 607xxx. Additional information about project attributes is available at CSU Legal Manual [Chapter 15, Section 2.3.3 – PeopleSoft Project Attribute]

e. For a multi-funded project, the expenditures must be recorded in the source fund at the voucher level. All claims must be processed within 30 days on bond-funded spending. The spending will be according to the hierarchy to meet spending benchmarks as follows:

   i. Tax-Exempt bond or commercial paper funding: These funds should be spent first to meet the IRS spending requirements.

   ii. Taxable Bonds: while taxable bonds do not have IRS spenddown requirements, there is a cost of borrowing. Campuses are advised to spend taxable bond proceeds in a timely manner.

   iii. General Fund Deferred Maintenance: Campuses need to evaluate if a project has General Fund appropriation(s) with earlier available to or reversion dates than bond funds. If so, the timing in the spending of these funds needs to be coordinated with the timing in the spending of the bond funds.

   iv. Budget Act/Support Budget Funding: Campuses have 5-years to spend from the Budget Act Year noted at the allocation. Campuses are to use the first allocation in, as the first dollars out (FIFO). Campuses need to monitor the timing of spending these funds with spending any other funds.

   v. Cash/Short Term Investments: Campus or Systemwide PayGo or Supplemental funding.

   vi. Long Term Investments.

f. The project ID format will follow the PeopleSoft Common Financial System (CFS) project chart of accounts format of nine alphanumeric characters. The project charter is submitted

PROJECT ATTRIBUTE TYPE	**CIMP**-CAPITAL IMPROVEMENT**; NRMR**-NON RECURRING MAINTENANCE/REPAIR
PROJECT ID	MC - capitalized/DM – non-capitalized (2 characters)
FY	Fiscal year that runs from July 1st to June 30th (2 digits)
BUILDING	Initials of building/location (2-4 characters)
ENDING DIGITS	Number of project at the location for the fiscal year (1-3 digits)
SAMPLE:	MC25ADM01 or DM25ADM01

to Accounting Office for review. Based upon GAAP regulations on capital assets, Accounting Office will determine the project ID appropriately.

g. A comprehensive capital projects report updated after the close of each fiscal month reflects funding and expenditures and projected expenses and revenues.

h. The current financial information is taken from the PeopleSoft CFS, SF State's official ledger of record. Each month, the project manager projects expenditures; the project accountant reconciles and reviews the Financial Data Warehouse (FDW) financial statements, and the accounting department projects financing costs (if the project is funded by debt).

i. Direct salaries should never be charged to capital construction projects. Project management fees are recorded as internal professional fees, not as a payroll expense. Only project expenses within the approved budget may be charged to the project. The VP of Administration and Finance must approve any exceptions to this procedure.

j. Without prior approval, projects do not run in overdraft. Departmental reserves are the first source of funding for any unauthorized overdrafts.

k. The project accountant will close out the capital project code no later than one year after occupancy of the facility, or when it is declared substantially complete. If invoices or other payments remain outstanding, the project manager must write to accounting to delay closing the project code.

l. The status and financial position of capital projects will be reviewed regularly with the project owner, chaired by the management center.

m. Project Funding: The project champion department ensures that adequate funding is available and transferred regularly to the project code to prevent overdrafts.

n. With the support of the project accountant, project managers maintain the total project budget and track expenditures, prepare projections, estimate cash requirements, and account for the use of contingencies. The project manager reviews project estimates with the AVP of CPDC. The project accountant reviews monthly accounting system statements from FDW for discrepancies. Project managers, financial owners, and the members of the management center meet quarterly to discuss the financial status of all major capital projects.

o. After the capital fund is approved the only new projects that will be included as amendments will be projects that qualify as emergency projects.

p. Capital project contingency funds should be tightly controlled to deal with unexpected project developments and should be included in the original estimated cost (no more than

10% of the estimated construction cost). All significant programmatic and owner-controlled scope changes that occur during the design or construction phase and which significantly impact the contingency or total project budget must be approved by the appropriate department project requestor, and a new project charter change order must be issued and approved. The project manager will track all uses of project contingencies.

q. Project managers monitor all project schedules and keep all interested parties informed of changes to the anticipated plans.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