The Regent’s Committee on Grounds & Buildings: Report from the Capital Projects Working Group

March 18, 2008

MONITOR GROUP
Discussion agenda

1. Highlight changes made since the February 26 Special Session

2. Provide additional detail on projects anticipated to receive Regental review during the pilot phase

3. Address questions and comments
The Capital Working Group has proposed changes designed to clarify and streamline the capital projects approval process.

- During a special session of the Grounds and Buildings Committee on February 26, 2008, the Capital Working Group outlined a proposal for streamlining the review of capital projects.

- The redesigned process emphasizes Regental review of strategic plans and enables streamlining of certain projects based on a “checklist” tied to these higher-level plans and subject to specified review by UCOP and General Counsel.

- It is anticipated this redesigned process will greatly reduce the time, complexity—and therefore cost—of review and approval of capital projects across the University.
The redesigned process is streamlined, focused and accountability driven

Key Components of the Proposed Process

1. Planning Cycle
   - Campuses take lead in creating plans
   - UCOP provides consultative expertise on campus planning
   - Regents set expectations for and approve integrated plans

2. Project Level Screening
   - Campuses use "checklist" criteria to screen capital projects as either "delegated" or "standard"
   - UCOP performs three discrete reviews of both "delegated" and "standard" projects
   - Regents approve checklist and review "standard" projects not meeting screening criteria

3. Reporting & Accountability
   - Campuses report on capital program, creating accountability for delegated responsibility
   - UCOP compiles data on campus capital program, including project audits
   - Regents review the campus capital program as a part of the planning cycle
Responding to feedback from the Committee, a number of enhancements have been made to the redesigned approval process.

**Summary of Activity Since February 26 Special Session**

- Revised specific language and terminology as requested.
- Increased time allotted for UCOP and public review (from 10 to 15 business days).
- Added section to checklist requesting detail on compliance with approved plans.
- Added language regarding sustainability and student, faculty and staff input added to checklist and plan guidance documentation.
- Revised process to explicitly include State-funded projects.
- Prepared detailed guidelines for documents used in the redesigned process:
  - *Capital and Financial Plan*
  - *Physical Planning and Design Framework*
  - *Annual Campus Capital Program Report*
- Expanded and further clarified pilot phase parameters.
Based on review of projects planned for FY2008-2009, the Working Group suggests a $60MM threshold for the pilot phase.

### UC State & Non-State Funded Projects Projected for Review in FY2008-2009

#### Distribution By Project Cost

| Dollar Range ($MM) | 20-30 | 30-40 | 40-50 | 50-60 | 60-70 | 70-80 | 80-90 | 90-100 | 100-110 | 110-120 | 120-130 | 130-140 | 140-150 | 150-160 | 160-170 | 170-180 | 180-190 | 190-200 | > 200 |
|-------------------|-------|-------|-------|-------|-------|-------|-------|--------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| Total Number of Projects | 11    | 4     | 7     | 2     | 6     | 1     | 1     | 0      | 2        | 0        | 0        | 1        | 1        | 0         | 0         | 0         | 0         | 0         | 2        | 2      |
| Cumulative % of $s | 2%    | 4%    | 6%    | 10%   | 14%   | 19%   | 23%   | 28%    | 34%      | 39%      | 44%      | 50%      | 55%      | 62%      | 68%      | 74%      | 80%      | 88%      | 100%    |
| Cumulative % of Projects | 28%  | 38%  | 55%  | 60%  | 75%  | 78%  | 80%  | 80%  | 85%      | 85%      | 85%      | 85%      | 88%      | 90%      | 90%      | 90%      | 90%      | 95%      | 100%    |

*Proposed project size limit for delegation consideration in the pilot phase*
Questions and Comments
The Working Group incorporated a range of inputs

**Working Group Insight**

**CWG brings together the collective knowledge within the institution today**

- 10 Members, and 6 Advisors, including:
  - Regent Joanne Kozberg
  - Katie Lapp, UCOP
  - Wendell Brase, UCI
  - Mike Bocchicchio, UCOP
  - Pete Blackman, UCLA
  - Boone Hellmann, UCSD
  - John Meyer, UCD
  - Jack Wolever, UCSB
  - Pat Romero, UCOP
  - Joel Michaelsen, UCSB
  - Diane Griffiths, Secretary and Chief of Staff to the Regents
  - Steve Morrell, Elisabeth Gunther, Kelly Drum; OGC representatives
  - Lynn Boland, UCOP
  - Betsy Horan, Special Advisor to Chairman Blum

**Selective Process Mapping**

**Focus on specific ‘pain points’ in the approval process**

**External Practice Review**

**Outside perspective from organizations of similar scope and complexity**

- 14 interviews with experts from 13 educational institutions and private companies
The current capital process requires multiple, repeated touch-points.
The current capital process requires multiple, repeated touch-points

Summary of Current Capital Projects Process

1. Planning
   - Approve LRDP
   - Approve 5-Year CIP
2. Schematic Design
   - Project Level Review
   - Review Budget
   - Regents Item
   - Draft PPG
3. Design Development
   - Review external financing
   - Review Regents Item
   - Review Design Regents Item
   - Design/Environmental docs
   - Review Environmental docs
   - Design Regents Item
5. Construction
   - Close-out CIB

Regents

UCOP

Campus
"Standard" projects can move rapidly through the redesigned process

1. Planning Cycle
   - Regents set guidelines for planning and approve plans on a regular cycle

2. Project Level Screening
   - Time for UCOP Review restricted to 15 business days
   - "Delegated" projects must match plans, meet eligibility and comply with policy

3. Reporting & Accountability
   - Reports Inform Plan Approval Discussion
   - Project close-out data becomes part of management reporting

UCOP
- Plans Consultation
- LRDP
- Capital Plan & Financial Plan
- Physical Vision Plan

Campus
- Campus Project
- Project Checklist Evaluation
- Chancellor Project Approval
- Project Implemented

Regents
- Regents Plan Approval

Note: “Approval” is intended to indicate consideration for project approval or denial
"Complex" projects are still subject to Regental review

1. **Planning Cycle**
   - Regents Plan Approval
   - Regents set guidelines for planning and approve plans on a regular cycle

2. **Project Level Screening**
   - Time for UCOP Review restricted to 15 business days
   - President guides item development; sends projects to Regents with recommendation

3. **Reporting & Accountability**
   - Regents Project Approval
   - Reports Inform Plan Approval Discussion

- UCOP
  - Plans Consultation
  - Projects move to Action Item Development because of CEQA or financing issues, or at the EVP’s request

- Campus
  - LRDP Physical Vision Plan
  - Capital Plan & Financial Plan

Approx. Project Phase
- Planning
- Schematic Design
- Design Development

Note: “Approval” is intended to indicate consideration for project approval or denial
**Decision rights are clarified in the redesigned process**

<table>
<thead>
<tr>
<th>Key Decisions</th>
<th>Plan Approval</th>
<th>&quot;Delegated&quot; Project Approval</th>
<th>&quot;Standard&quot; Project Approval</th>
</tr>
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<tbody>
<tr>
<td>Regents</td>
<td>R</td>
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<td>I</td>
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<td>OGC</td>
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<td>R</td>
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<td>UCOP</td>
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<td>EVP</td>
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<td>Other</td>
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<td>Chancellor</td>
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<td>Campus</td>
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<tr>
<td>Other</td>
<td>I</td>
<td>M</td>
<td>I</td>
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</tbody>
</table>

**Input Make Ratify Appeal Notify**
- I
- M
- R
- A
- R
- N
In most cases, “make” rights are pushed towards the campuses

<table>
<thead>
<tr>
<th>Key Decisions</th>
<th>Set Plan and Checklist Guidelines</th>
<th>Plan Approval</th>
<th>&quot;Delegated&quot; Project Approval</th>
<th>&quot;Standard&quot; Project Approval</th>
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<tbody>
<tr>
<td></td>
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<td></td>
<td>Project Compliant with Plans</td>
<td>OGC CEQA Review</td>
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<td>Regents</td>
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<td>External Finance Review</td>
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<td>OGC</td>
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<td>Chancellor Project Approval</td>
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<td>UCOP</td>
<td>President</td>
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<td>Action Item Development</td>
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<td>EVP</td>
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<td>Regents Project Approval</td>
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<td>Campus</td>
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<td></td>
<td>Other</td>
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<td></td>
<td>M</td>
</tr>
</tbody>
</table>

Note: M indicates a mandatory step.
UCOP conducts reviews in three specific areas

1. Planning Cycle
   - Regents set guidelines for planning and approve plans on a regular cycle

2. Project Level Screening
   - Time for UCOP Review restricted to 15 business days
   - OGC, Ext. Finance, EVP Review
   - "Delegated" projects must match plans, meet eligibility and comply with policy

3. Reporting & Accountability
   - External Finance: Financial Feasibility & Debt
   - OGC: Adequacy Under Applicable Laws
   - EVP: Systemwide Concerns

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   - EVP: Systemwide Concerns

Note: "Approval" is intended to indicate consideration for project approval or denial
OGC provides guidance and opinion on CEQA compliance

Proposed Procedure for CEQA Compliance

- OGC provides CEQA recommendation via checklist:
  - Ready for review and consideration
  - Return to campus for additional administrative review
  - Return to campus for continued consideration
  - Recommend UCOP consultation
- Checklist circulated to President and Chancellor

Regents

OGC provides checklist recommendation

President guides item development; sends projects to Regents with recommendation

Determination of Action Meeting

All CEQA decisions are communicated to President and G&B

Chancellor Project Approval

Campus

- Campus uses website to interact with community (e.g., CA OPR Clearinghouse)
  - Post all CEQA related documents
  - Notify public of impending project approval and manage database of community contacts for notification

Note: "Approval" is intended to indicate consideration for project approval or denial
Roles and Responsibilities in Each Phase of the Proposed Process

1. Planning Cycle
   - **Regents**
     - Approve campus plans
     - Approve modifications to plan and “checklist” guidelines
   - **UCOP**
     - Consult with campuses on plans
     - Manage determination of action meeting (President or delegate)
     - Review limited aspects of projects under time restriction (e.g., CEQA, Financing)
   - **Campus**
     - Develop and maintain plans
     - Present integrated plans for Regental approval

2. Project Level Screening
   - **Regents**
     - Review and approve “standard” projects (i.e., do not comply with checklist) projects
   - **Campus**
     - Provide reporting data to UCOP

3. Reporting & Accountability
   - **Regents**
     - Review campus reports during planning discussions
   - **UCOP**
     - Collect data for and produce campus reports

1 2 3
Example Project: UCSB Student Resources Building

The project cost $24.5 MM at approval in 2002 and was ready for occupancy in 2006.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Year 2001</th>
<th>Year 2002</th>
<th>Year 2003</th>
<th>Year 2004</th>
<th>Year 2005</th>
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<tbody>
<tr>
<td>Initial funding / architect selection</td>
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<td>Program</td>
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<td>Architect PSA predesign authorization</td>
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<tr>
<td>Schematic design / VE / approvals</td>
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<td>EIR - MND</td>
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<tr>
<td>Design development</td>
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<tr>
<td>LRDP amendment</td>
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<tr>
<td>VE design / working drawings / CD review</td>
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<tr>
<td>Contract prequalifications</td>
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<tr>
<td>Bid &amp; award / construction / fit out</td>
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</tbody>
</table>

Source: UCSB

Minimum Potential Savings

Approx. 3 months X

- 0.5% Monthly Cost Escalation = $0.3MM
- 1.0% Monthly Cost Escalation = $0.6MM
- 1.5% Monthly Cost Escalation = $0.9MM

Maximum Potential Savings

Approx. 6 months X

- 0.5% Monthly Cost Escalation = $0.7MM
- 1.0% Monthly Cost Escalation = $1.4MM
- 1.5% Monthly Cost Escalation = $2.1MM
Reporting & Accountability in the Proposed Process

**Project Data Report**
- Purpose: Reports status on objectives of specific importance to Regents
- Contents: A set of data measuring performance against plans and objectives
- Conducted By: Reported by campus, aggregated by UCOP
- Timing: Annual process; shared with Regents during planning meetings

**Physical Environment Review**
- Purpose: Reports status of Physical Vision Plan implementation
- Contents: Survey of Faculty and Students & Campus visit by G&B
- Conducted By: Campus
- Timing: Once every 5 years

**Audit**
- Purpose: Ensures factual validity and compliance with policies
- Contents: Discrepancies in reported data and non-compliance with policies
- Conducted By: Team of Facilities Admin. Staff, Outside Specialists, and/or University Auditor
- Timing: Occurs for one randomly selected project per year per campus (unless otherwise specified by Auditor)

**Annual Campus Capital Program Report**
# Interviews & Discussions

<table>
<thead>
<tr>
<th>Individuals Interviewed</th>
<th>Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bart Becker, AVP Planning and Infrastructure, U of Alberta</td>
<td>Director Janet Mason</td>
</tr>
<tr>
<td>AVC Emeritus Pete Blackman</td>
<td>VC John Meyer</td>
</tr>
<tr>
<td>AVP Mike Bocchicchio</td>
<td>VC Meredith Michaels</td>
</tr>
<tr>
<td>VC Wendell Brase</td>
<td>Associate Director Karl Mohr</td>
</tr>
<tr>
<td>Douglas K. Christensen, BYU</td>
<td>Michael O'Donnell, AVC Fac Planning &amp; Const., UT</td>
</tr>
<tr>
<td>Jack Cleary, Stanford</td>
<td>AVC Timothy Ralston</td>
</tr>
<tr>
<td>Jim Cooke AIA, Toyota</td>
<td>Coordinator Pat Romero</td>
</tr>
<tr>
<td>Bill Daigneau, VP for Ops and Fac, UT MD Anderson</td>
<td>Planner Dana Santa Cruz</td>
</tr>
<tr>
<td>Director Robin Draper</td>
<td>AVC Susan Santon</td>
</tr>
<tr>
<td>Director J. Stuart Eckblad</td>
<td>Deputy AVP Marsha Sato</td>
</tr>
<tr>
<td>Group Leader, Environmental Anthony Garvin</td>
<td>Dan Sheehy, RE PE Investor</td>
</tr>
<tr>
<td>Sr. Fin Officer Jean Ham</td>
<td>Joseph J. Sprys, GM</td>
</tr>
<tr>
<td>AVC Boone Hellman</td>
<td>AVC Jeff Steindorf</td>
</tr>
<tr>
<td>Regent Judy Hopkinson</td>
<td>Dr. Iris D. Tommelein, UCB</td>
</tr>
<tr>
<td>Richard Kaplan, AVP Capital Projects, UW</td>
<td>Elvyra San Juan, CSU</td>
</tr>
<tr>
<td>Regent Joanne Kozberg</td>
<td>Steve Westfall, CEO, Tradeline Inc</td>
</tr>
<tr>
<td>Daniel Lehman, Director OPA, National Labs</td>
<td>Director John White</td>
</tr>
<tr>
<td>Director Martie Levy</td>
<td>Director Jack Wolever</td>
</tr>
<tr>
<td>AVC Emily Marthinsen</td>
<td>Director Gene Zanko</td>
</tr>
<tr>
<td>Elisabeth Gunther, OGC</td>
<td>Director, PDC, Jack Zimmermann</td>
</tr>
<tr>
<td>Kelly Drumm, OGC</td>
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</tbody>
</table>
Estimated Annual Capital Budget Savings from Proposed Process

**Capital Program Funding Source by Project, FY 2002/3 – 2007/8**

- Projects with all funding sources: 10%
- Projects with only State funding: 48%
- Projects with mixed funding: 42%
- Projects with only Non-State funding: 0%

**Estimating the Capital Budget Savings**

- Average annual UC capital outlay: $1,875 MM
- % annual capital outlay funded with Non-State dollars only: 42%
- Average Non-State annual UC capital outlay: $787 MM
- % eligible capital outlay for projects with total costs <$100 MM: 64%
- Approximate annual UC capital outlay eligible for proposed process: $504 MM
- Estimated approval days saved under proposed process: 220**
- Estimated construction cost inflation per month: 0.5% 1.0% 1.5%
- Estimated annual capital budget savings: $18 MM $37 MM $55 MM

Note: *UCOP and Monitor Analysis of all projects over that period (277). UCLA Westwood Replacement Hospital project excluded as outlier. **Analysis of 11 projects across system. Adjusted for increased UCOP/campus consultation.
## Overview of Secondary Sources on Construction Cost Escalation

<table>
<thead>
<tr>
<th>Source</th>
<th>Period</th>
<th>Average Monthly Escalation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Cost of Construction per Square Foot, Davis Langdon (Jan 06)</td>
<td>3-Year (2003-2005)</td>
<td>+1.54%</td>
</tr>
<tr>
<td>Price Index for Selected Construction Items, CalTrans (Dec 07)</td>
<td>5-Year (2003-2007)</td>
<td>+1.20%</td>
</tr>
<tr>
<td>Nationwide Building Construction Index, Turner Construction Company (Dec 07)</td>
<td>5-Year (2003-2007)</td>
<td>+0.56%</td>
</tr>
<tr>
<td>California Construction Industry Market Escalation Report, Davis Langdon (2005)</td>
<td>1-Year (2005 est.)</td>
<td>+0.50%</td>
</tr>
<tr>
<td>California Construction Cost Index, Engineering News-Record/California Dept. of General Services (Jan 08)</td>
<td>5-Year (2003-2007)</td>
<td>+0.40%</td>
</tr>
</tbody>
</table>

**Average Monthly Construction Cost Escalation**

+0.84%
## Regents’ Threshold Changes Based On Cost Escalation

<table>
<thead>
<tr>
<th>Threshold</th>
<th>Current</th>
<th>0.5% Monthly</th>
<th>1.0% Monthly</th>
<th>1.5% Monthly</th>
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</thead>
<tbody>
<tr>
<td>Regents</td>
<td>&gt;$20MM</td>
<td>&gt;$34MM</td>
<td>&gt;$59MM</td>
<td>&gt;$100MM</td>
</tr>
</tbody>
</table>

### Construction Cost Escalation Since 1999
(Using above monthly escalation figures)

<table>
<thead>
<tr>
<th>0.5% Monthly</th>
<th>1.0% Monthly</th>
<th>1.5% Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>71%</td>
<td>193%</td>
<td>399%</td>
</tr>
</tbody>
</table>
Addressing the State process – “Conventional” Process

1. Planning Cycle
   - Regents Plan Approval
2. Project Level Screening
   - UCOP Plans Consultation
   - OGC, Ext. Finance, EVP Review
   - 15 business days
   - Project Checklist Evaluation
   - Yes
3. Reporting & Accountability
   - Regents
   - UCOP
   - Campus
   - State
   - Construction
   - Construction Docs
   - DOF Authorizes Contract Award
   - “W” approval authorizes proceed to bid

Approx. Project Phase
- Planning
- Schematic Design
- Design Development
- Working Drawings

Note: “Approval” is intended to indicate consideration for project approval or denial
Addressing the State process – “Streamlined” Process

1. Planning Cycle
   - Regents
     - Plan Approval
   - UCOP
     - Plans Consultation
     - 5yr Funding Target
   - Campus
     - Group of Capital Program Plans
     - Campus Project
2. Project Level Screening
   - OGC, Ext. Finance, EVP Review
     - Yes
   - Project Checklist Evaluation
   - Chancellor Project Approval
     - Yes
   - SPWB Releases “P, W, C” Funds
3. Reporting & Accountability
   - Budget Office Review
   - Campus Capital Program Report

Note: “Approval” is intended to indicate consideration for project approval or denial

<table>
<thead>
<tr>
<th>Approx. Project Phase</th>
<th>Planning</th>
<th>Schematic Design</th>
<th>Design Development</th>
<th>Working Drawings</th>
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Opportunistic Projects

1. Planning Cycle
   - Regents Plan Approval
   - Plans Consultation

2. Project Level Screening
   - An opportunistic project may not comply with the Capital Plan and Financial Plan, thus requiring an Action Item Development Meeting
   - OGC, Ext. Finance, EVP Review
   - Action Item Development
   - Campus Project
   - Project Checklist Evaluation

3. Reporting & Accountability
   - Regents review item: Upon approval of action item, project may move to “implementation” or may return to campus for approval
   - Reports Inform Plan Approval Discussion
   - President guides item development (e.g., plan amendment) and sends project to Regents

Note: “Approval” is intended to indicate consideration for project approval or denial
**UC State & Non-State Funded Project Approvals FY2002-FY2007: Distribution By Project Cost**

<table>
<thead>
<tr>
<th>Dollar Range ($MM)</th>
<th>5-10</th>
<th>10-20</th>
<th>20-30</th>
<th>30-40</th>
<th>40-50</th>
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<th>180-190</th>
<th>190-200</th>
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<td>Total Number of Project</td>
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<td>54</td>
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<tr>
<td>All Projects Cumulative % of $s</td>
<td>5%</td>
<td>13%</td>
<td>18%</td>
<td>26%</td>
<td>31%</td>
<td>35%</td>
<td>43%</td>
<td>48%</td>
<td>52%</td>
<td>54%</td>
<td>56%</td>
<td>60%</td>
<td>62%</td>
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<td>All Projects Cumulative % of Projects</td>
<td>30%</td>
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</table>

Note: Does not include projects under $5M
CWG Discussion on Design-Build and Alternative Delivery Models

Barriers to Usage of Alternative Delivery Models

- Investment in departmental resources required; ROI realized over multiple projects
- Inexperience with delivery model
- Cultural barriers to change specific to campus, including organization and committee structure
- Perceived benefits low; not quantified
- Delivery model extremely project-dependent

Effort Required to Change Behavior

1. Build compelling argument for usage of various delivery models
   - Develop qualitative argument (e.g., pros and cons, not “one size fits all”)
   - Develop detailed quantitative argument using UC projects

2. Provide assistance to campuses with less experience
   - Codify “exemplary practices” associated with various delivery models
   - Identify internal consultants at campuses