



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

*March 18, 2008*

MONITOR GROUP

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This document provides an outline of a presentation and is incomplete without the accompanying oral commentary and discussion.

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## Discussion agenda

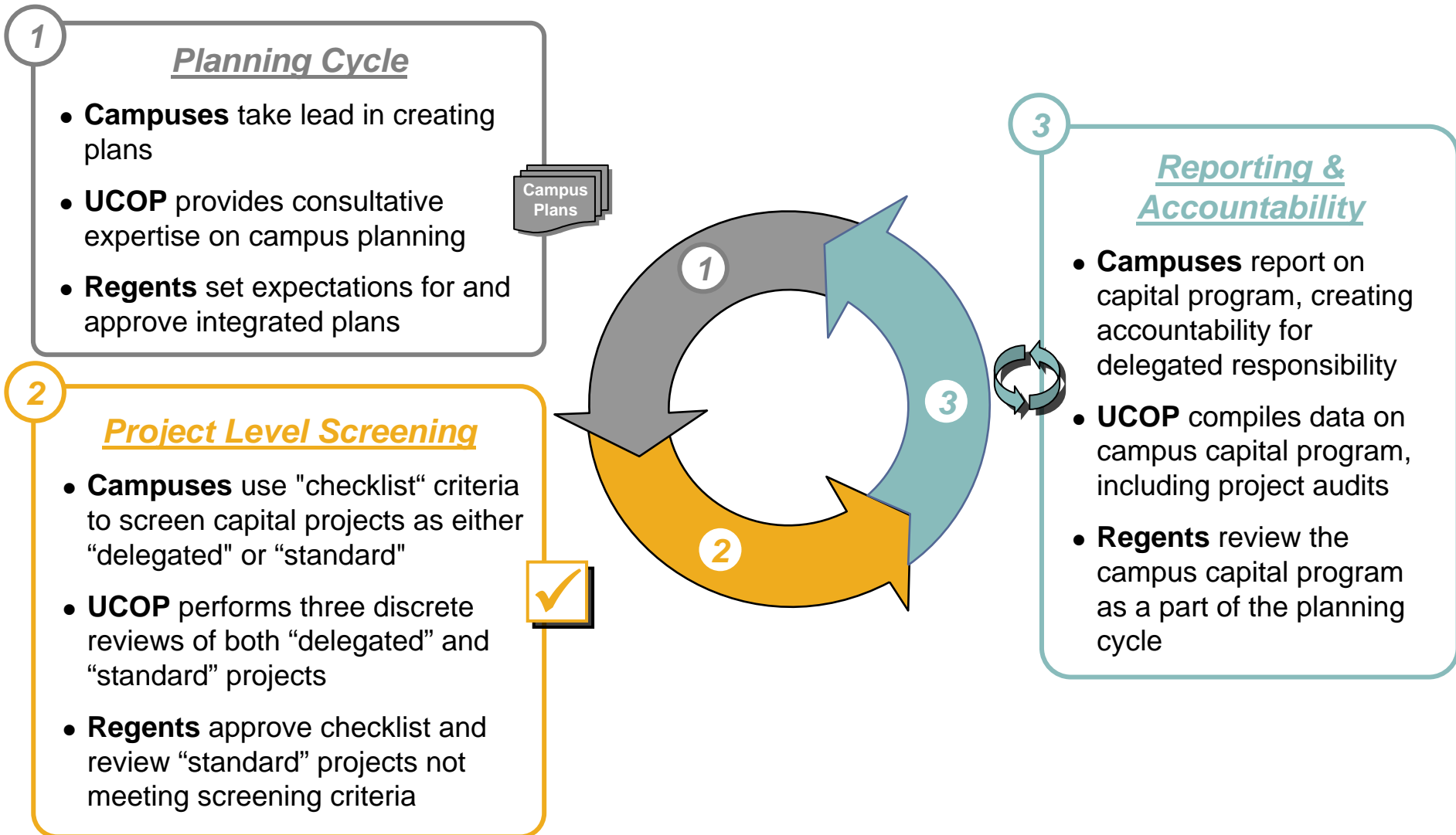
- 1 Highlight changes made since the February 26 Special Session
- 2 Provide additional detail on projects anticipated to receive Regental review during the pilot phase
- 3 Address questions and comments

# 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



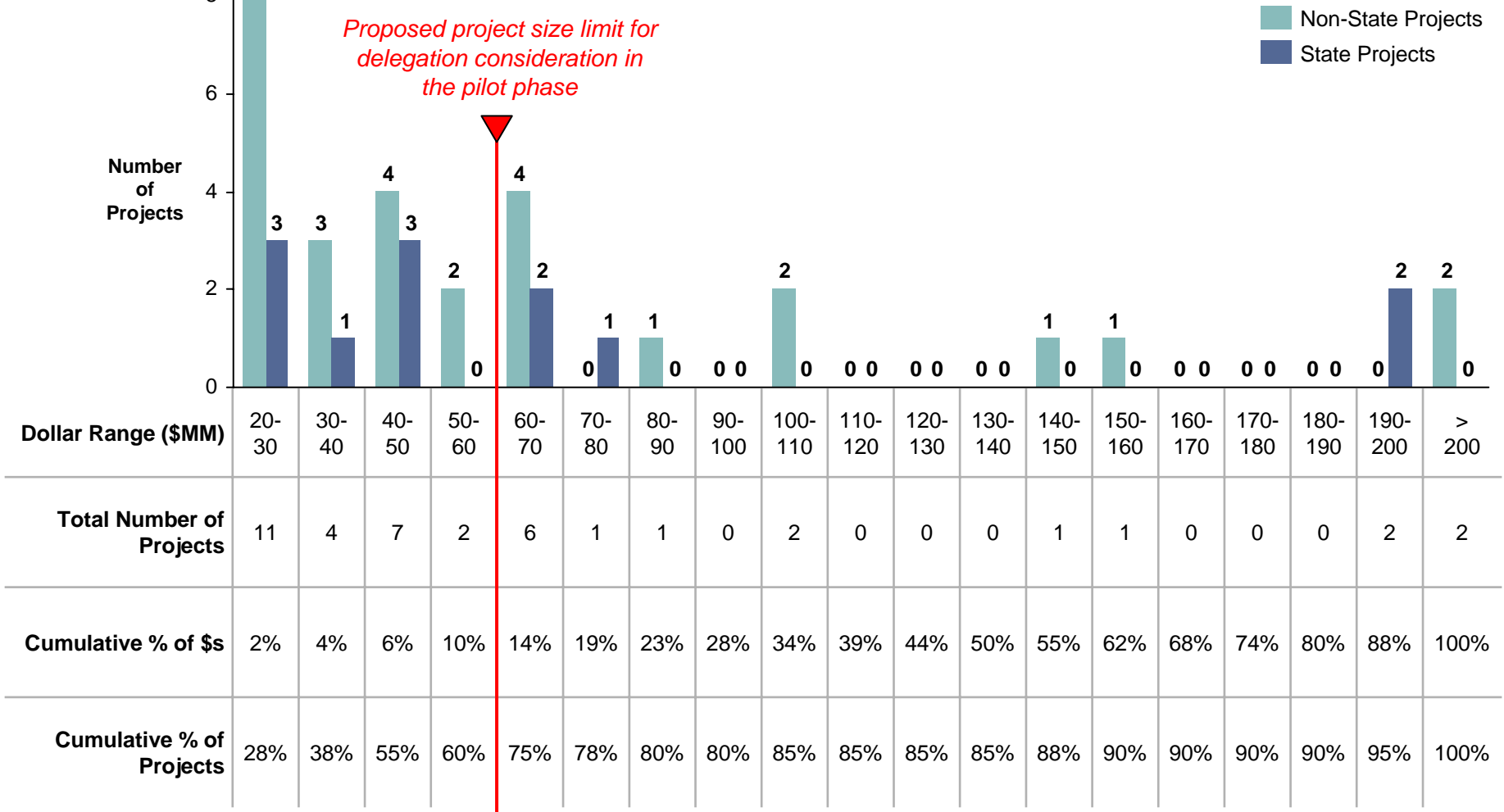
# Responding to feedback from the Committee, a number of enhancements have been made to the redesigned approval process

## ***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



# Questions and Comments

# The Working Group incorporated a range of inputs

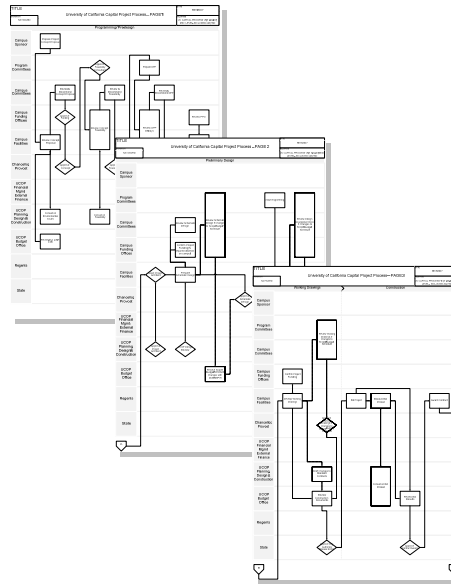
## Working Group Insight

**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 Drumm; 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**

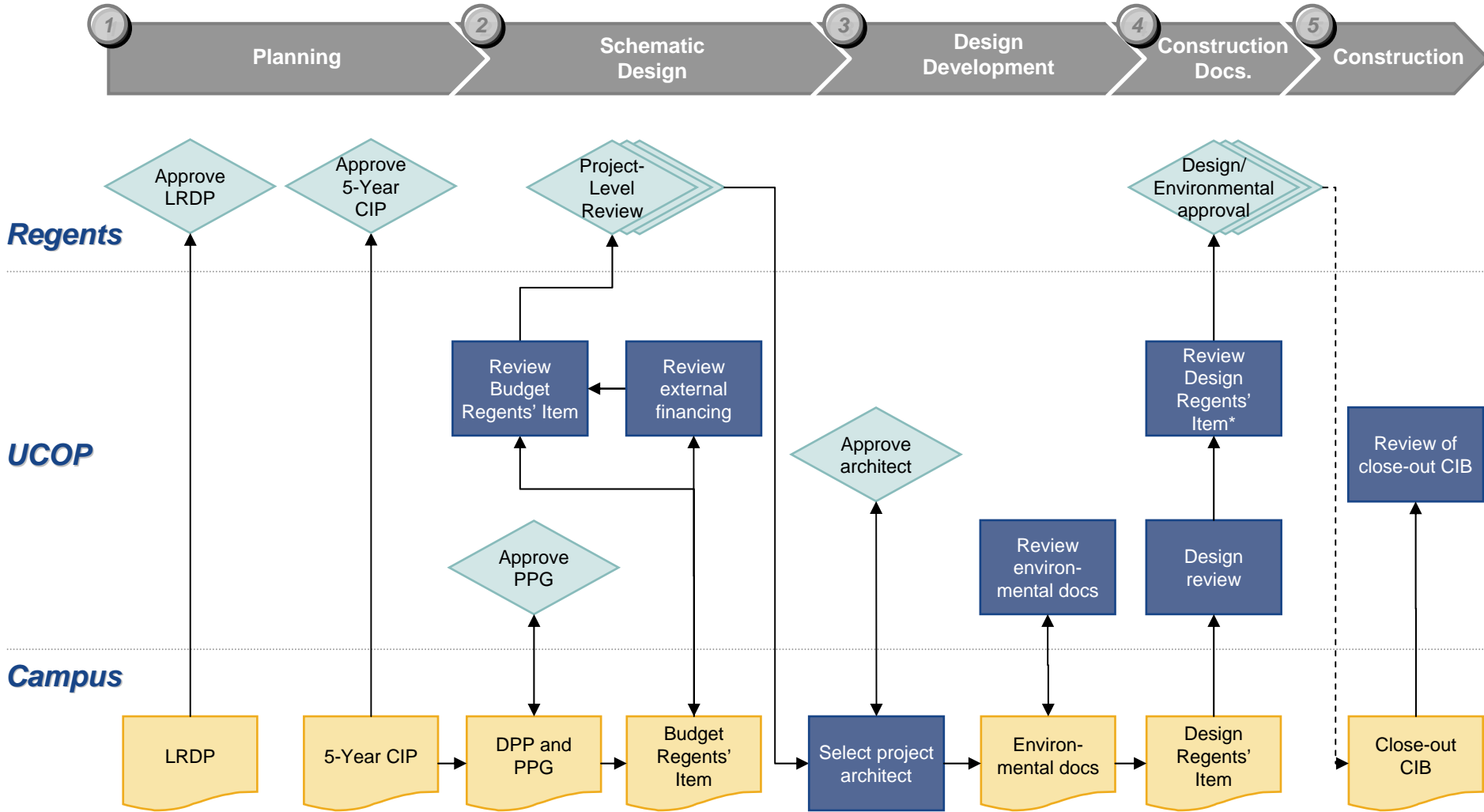
- 14 interviews with experts from 13 educational institutions and private companies





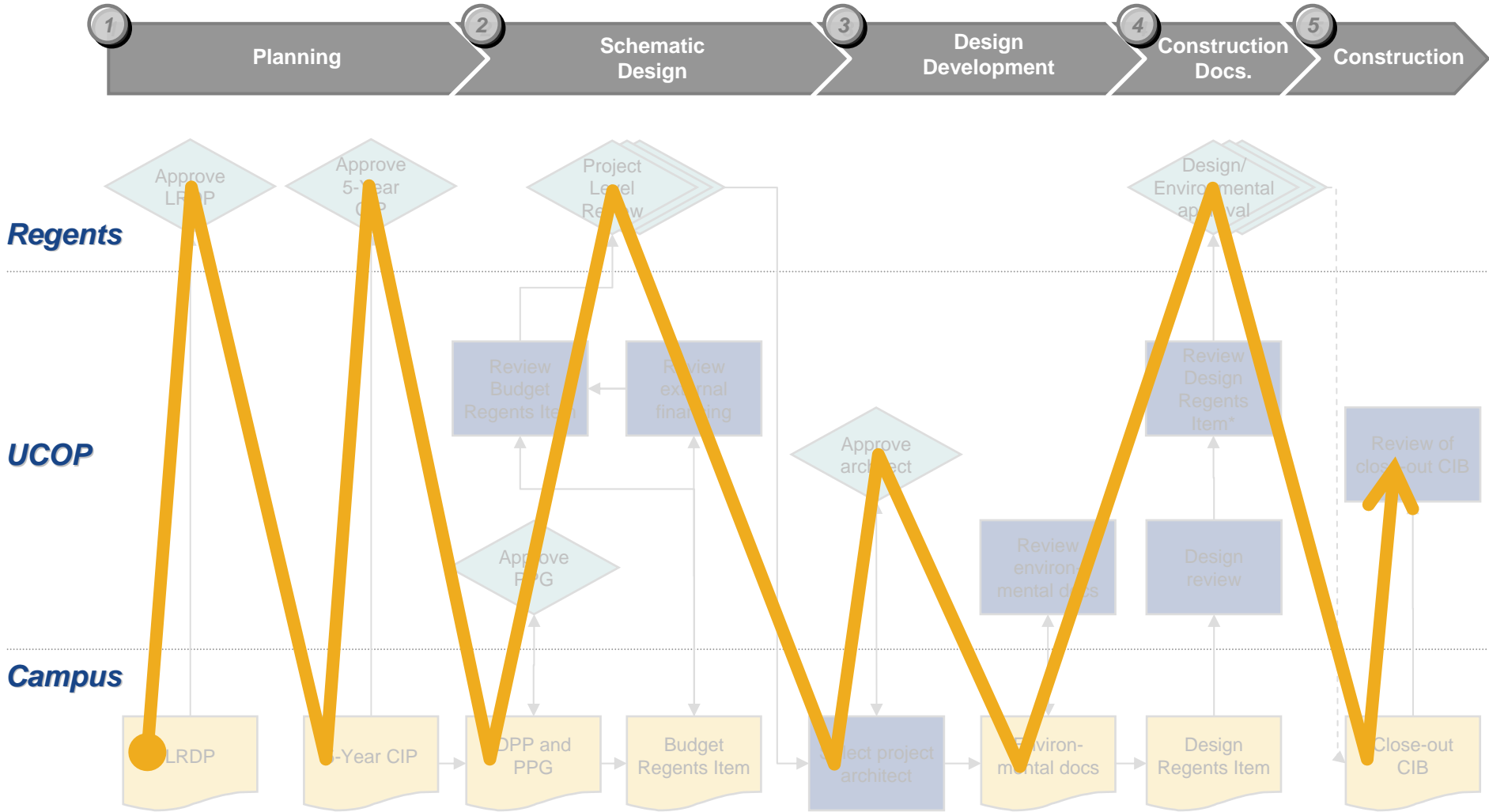
# The current capital process requires multiple, repeated touch-points

## Summary of Current Capital Projects Process

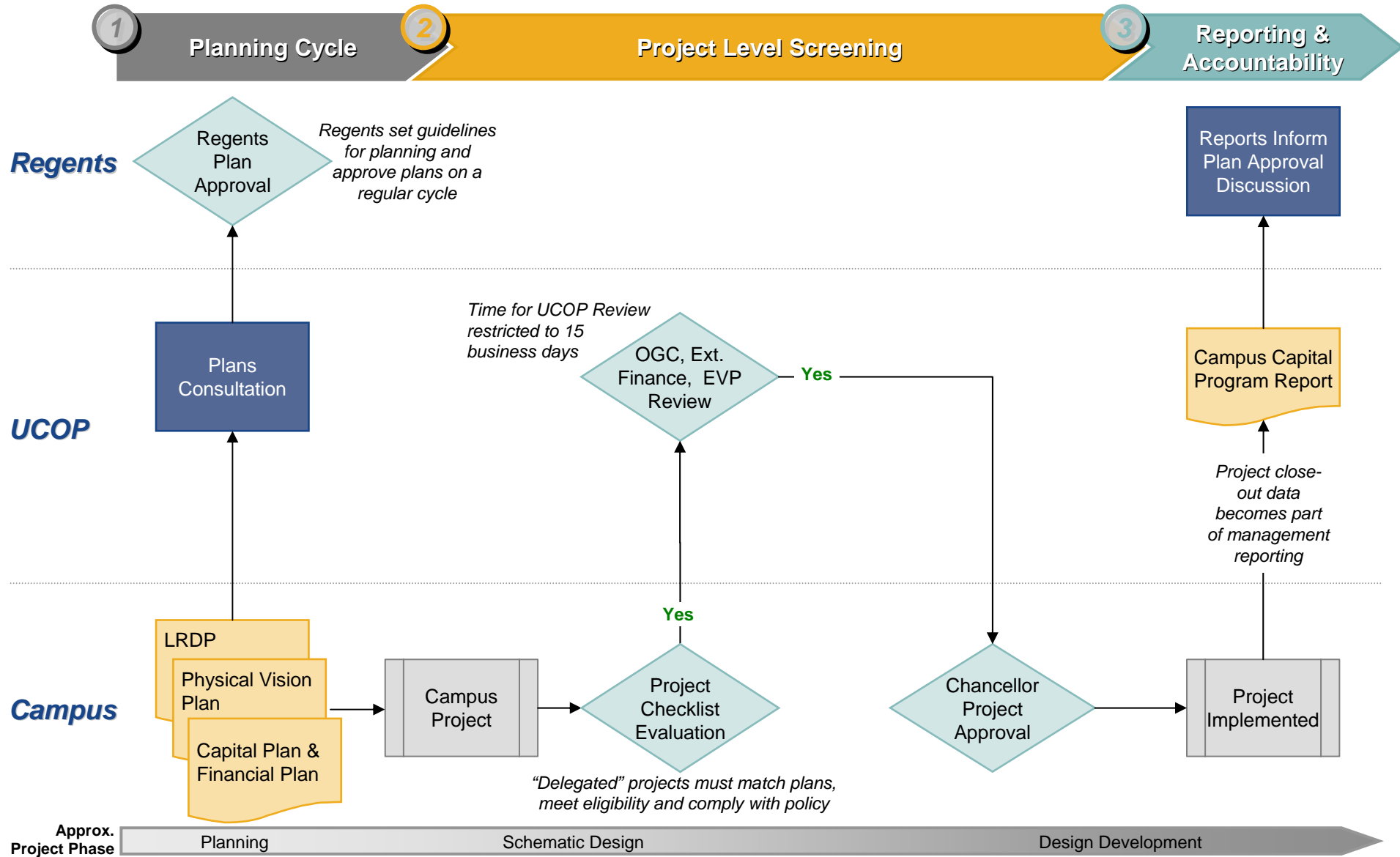


# The current capital process requires multiple, repeated touch-points

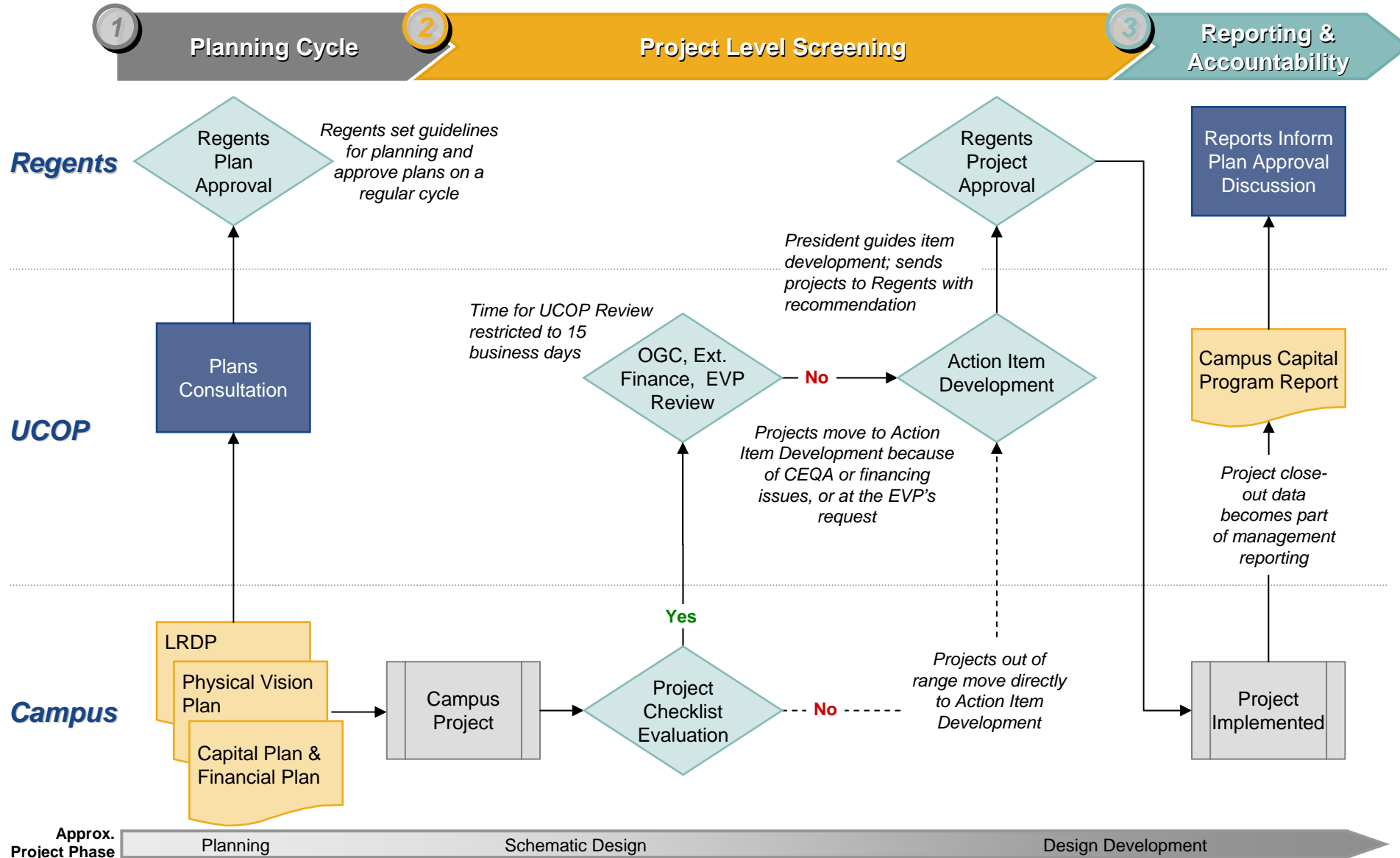
## Summary of Current Capital Projects Process



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

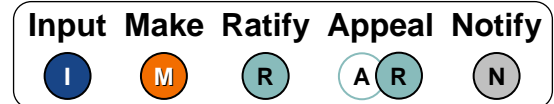


# "Complex" projects are still subject to Regental review



# Decision rights are clarified in the redesigned process

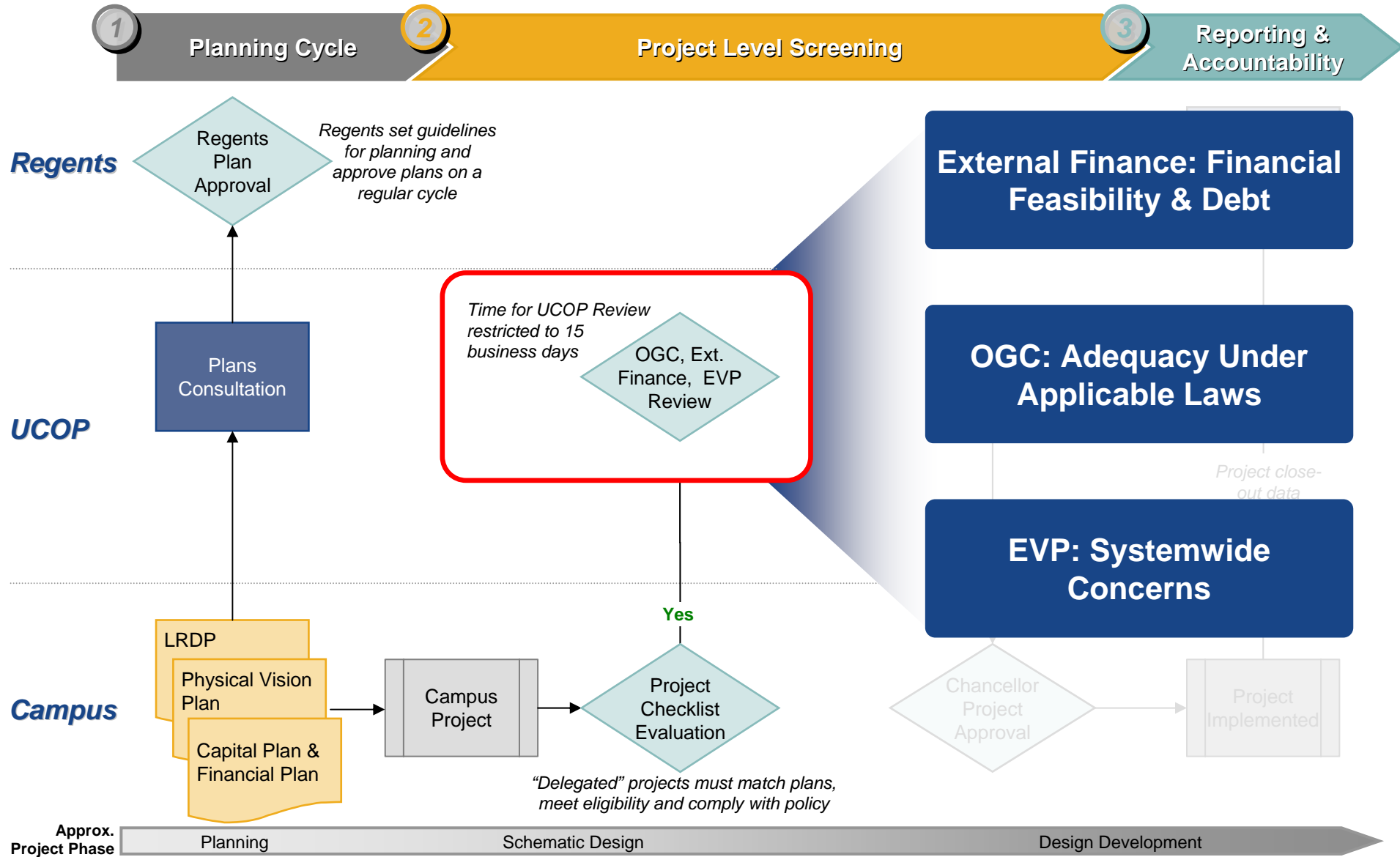
Key Decisions		1		2					
		Set Plan and Checklist Guidelines	Plan Approval	"Delegated" Project Approval				"Standard" Project Approval	
				Project Compliant with Plans	OGC CEQA Review	External Finance Review	Chancellor Project Approval	Action Item Development	Regents Project Approval
Regents		R	R		N				R
OGC		I			I			I	
UCOP	President	R	R		A R	N	N	M	M
	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	
Campus	Chancellor	I	M	R	M	M	M	I	I
	Other		I	M	I	I	I		



# In most cases, “make” rights are pushed towards the campuses

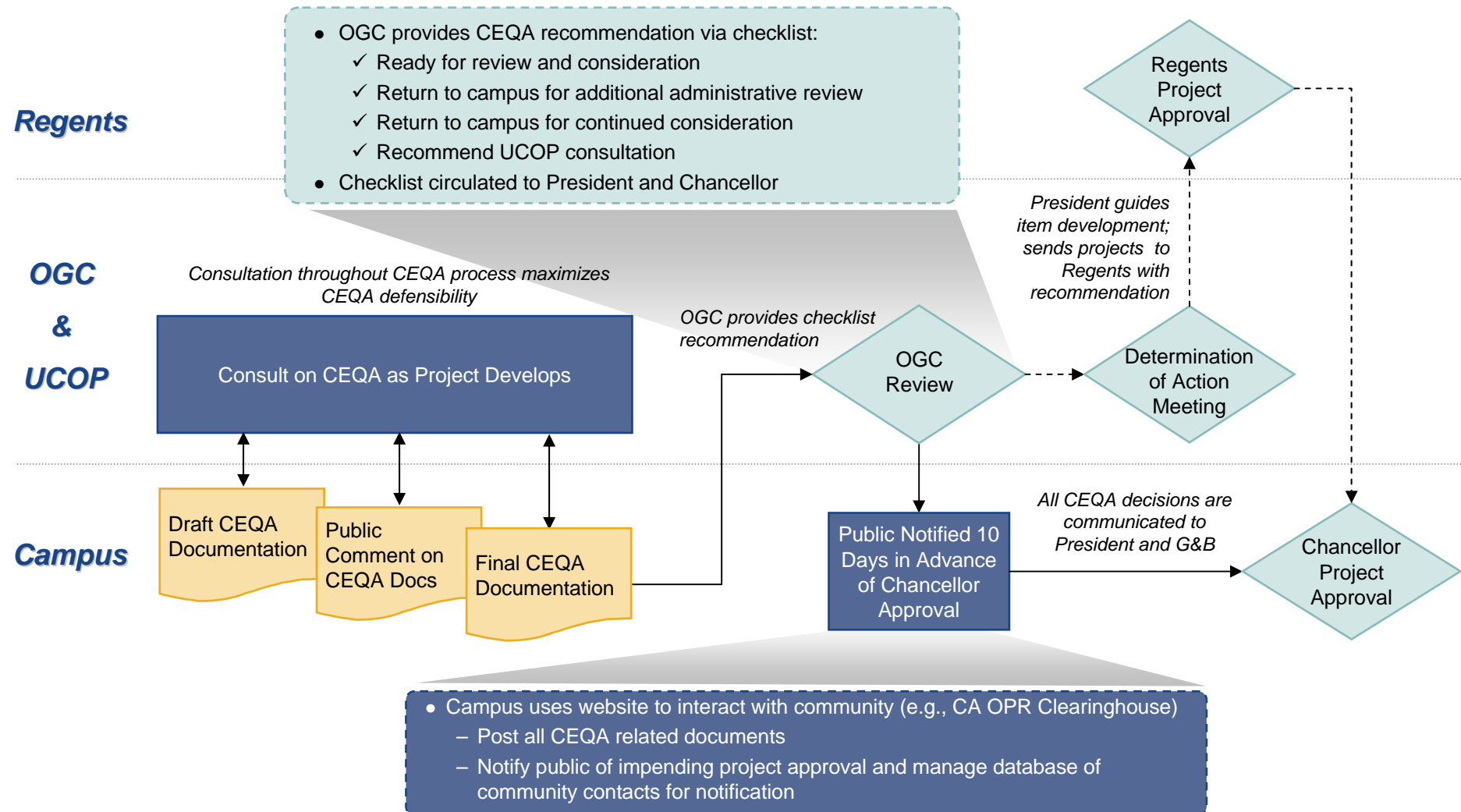
Key Decisions		1	2	“Delegated” Project Approval				“Standard” Project Approval	
		Set Plan and Checklist Guidelines	Plan Approval	Project Compliant with Plans	OGC CEQA Review	External Finance Review	Chancellor Project Approval	Action Item Development	Regents Project Approval
Regents									
OGC									
UCOP	President							M	M
	EVP	M							
	Other								
Campus	Chancellor		M		M	M	M		
	Other			M					

# UCOP conducts reviews in three specific areas



# OGC provides guidance and opinion on CEQA compliance

## Proposed Procedure for CEQA Compliance





# Roles and Responsibilities in Each Phase of the Proposed Process



## Regents

- Approve campus plans
- Approve modifications to plan and “checklist” guidelines

- Review and approve “standard” projects (i.e., do not comply with checklist) projects

- Review campus reports during planning discussions

## 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)

- Collect data for and produce campus reports

## Campus

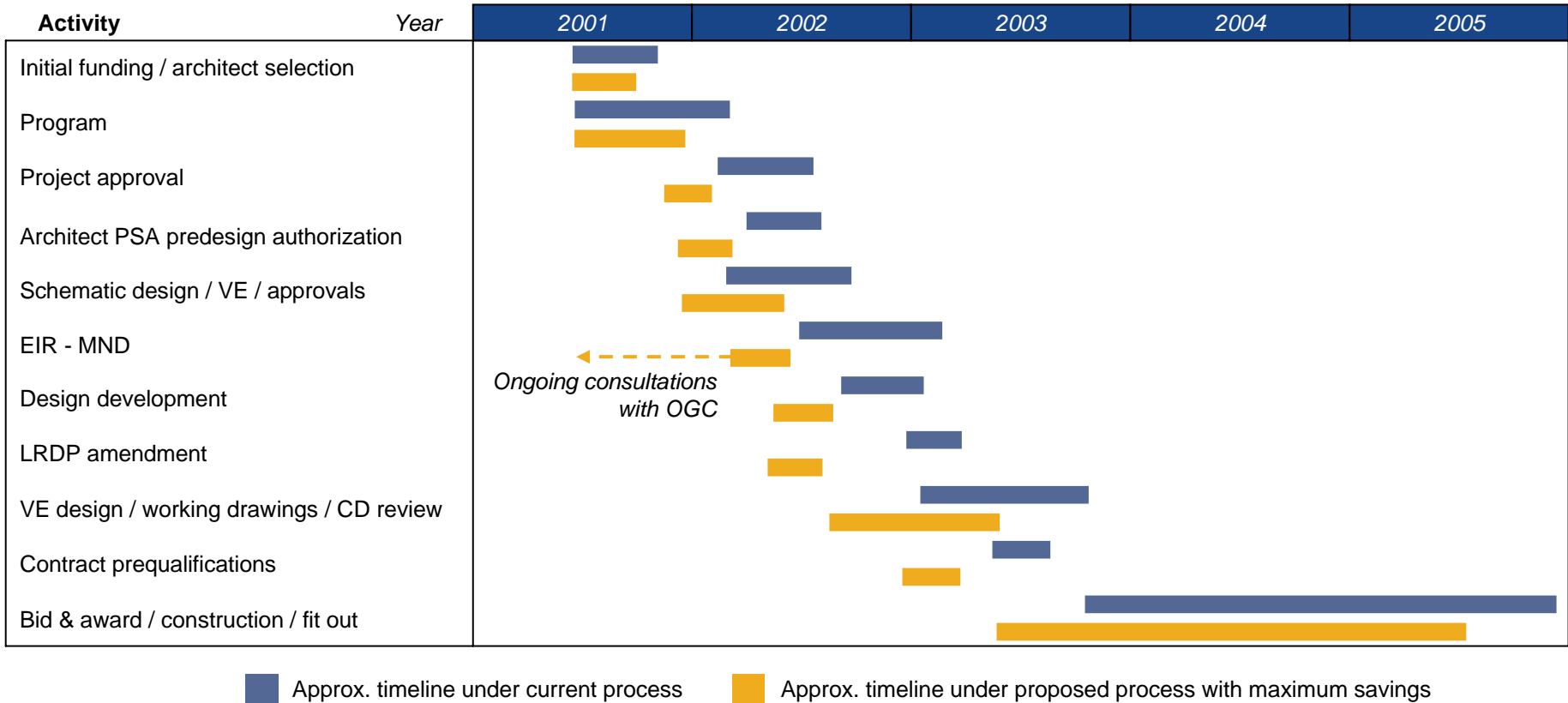
- Develop and maintain plans
- Present integrated plans for Regental approval

- Approve and manage individual projects

- Provide reporting data to UCOP

# Example Project: UCSB Student Resources Building

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



## Minimum Potential Savings

Approx. 3 months X {

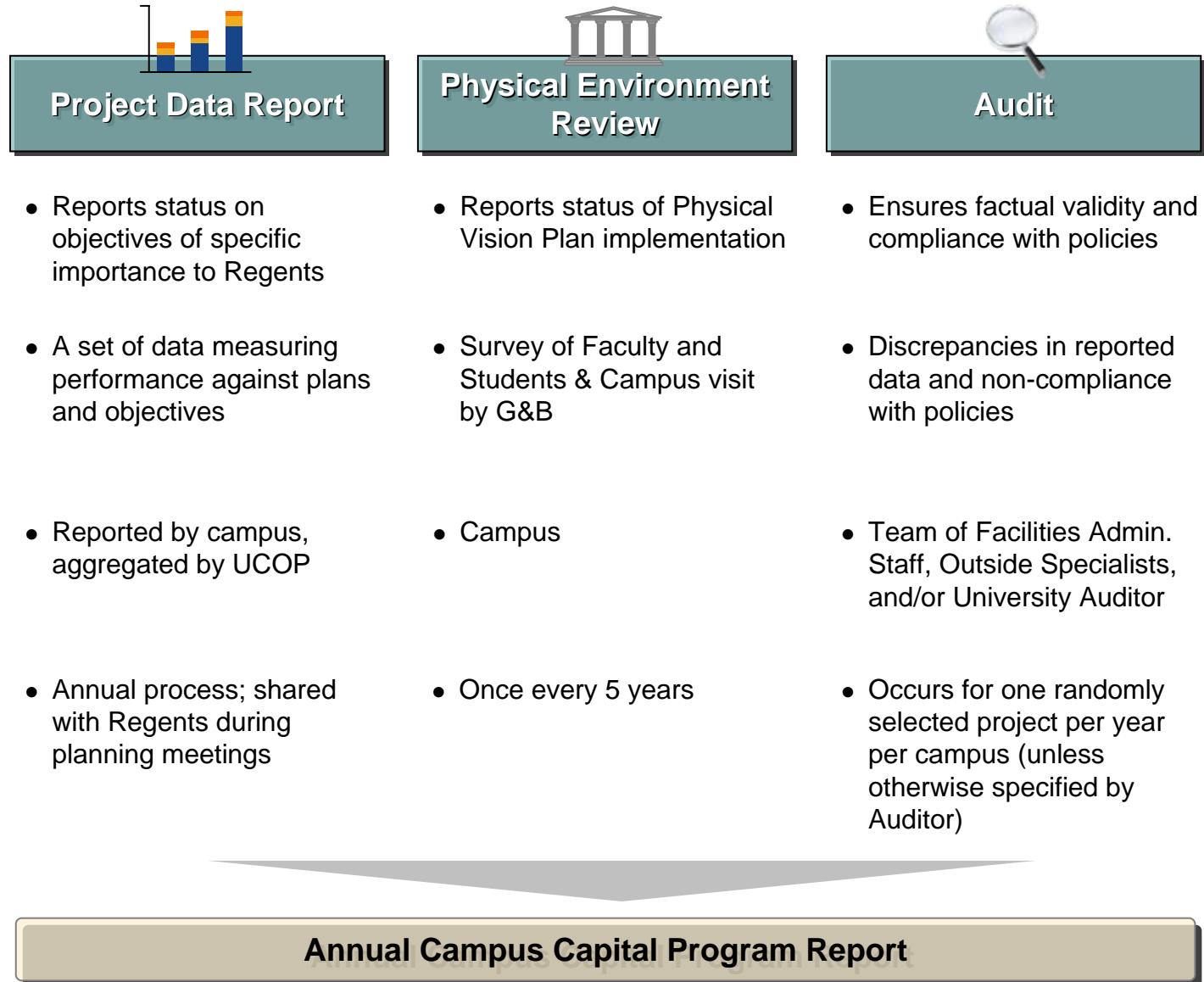
- 0.5% Monthly Cost Escalation = \$0.3MM
- 1.0% Monthly Cost Escalation = \$0.6MM
- 1.5% Monthly Cost Escalation = \$0.9MM

## 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



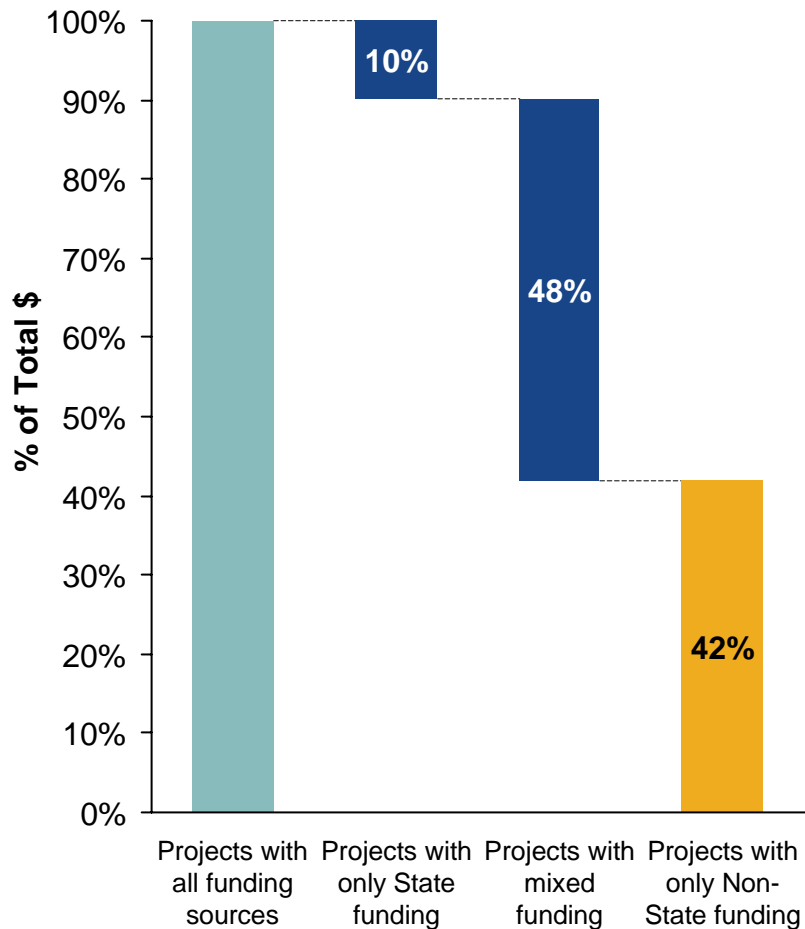
# Interviews & Discussions

## Individuals Interviewed

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

# Estimated Annual Capital Budget Savings from Proposed Process

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



## Estimating the Capital Budget Savings

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

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

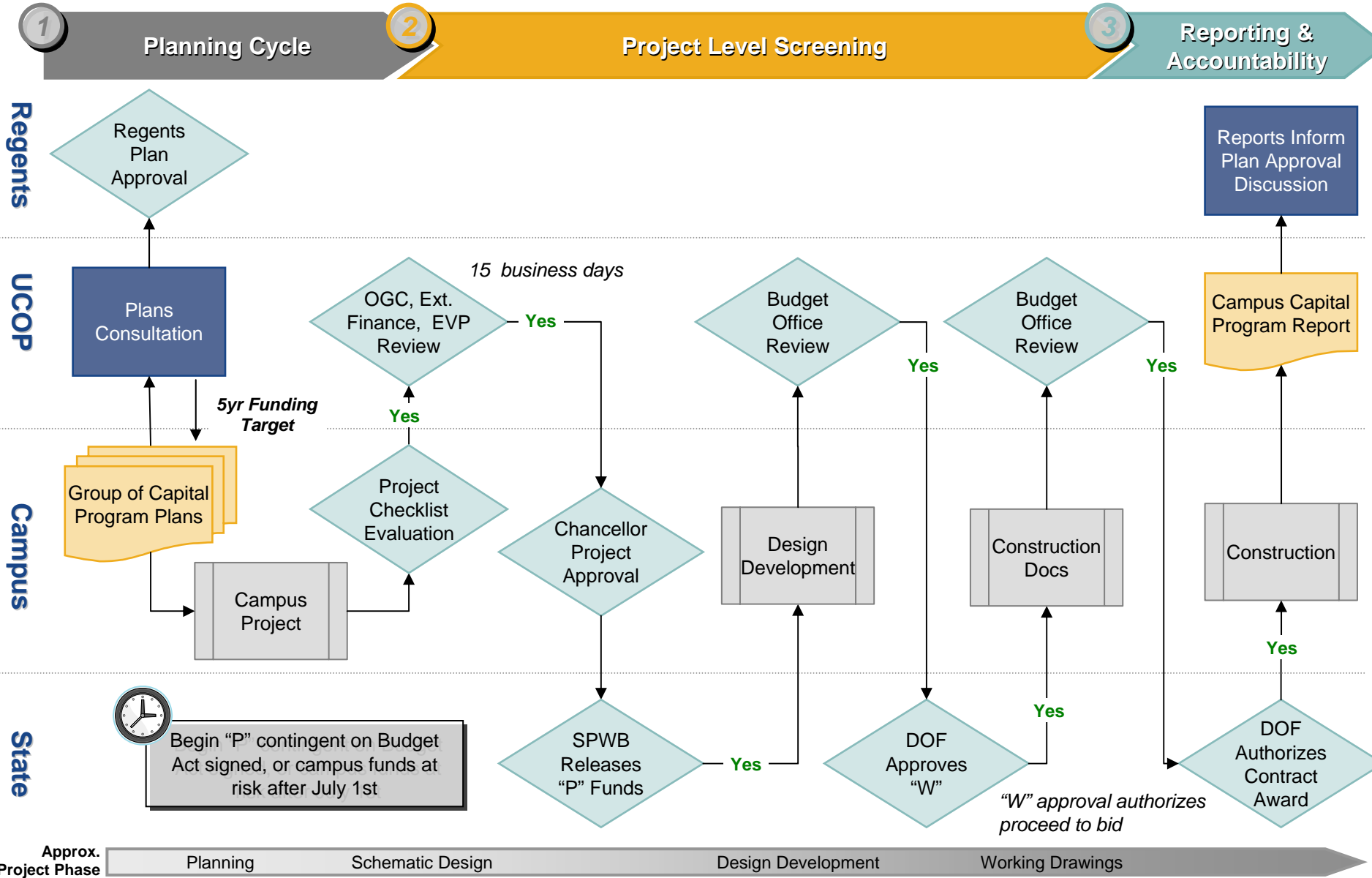
Source	Period	Average Monthly Escalation
Hospital Cost of Construction per Square Foot, Davis Langdon (Jan 06)	3-Year (2003-2005)	+1.54%
Price Index for Selected Construction Items, CalTrans (Dec 07)	5-Year (2003-2007)	+1.20%
Nationwide Building Construction Index, Turner Construction Company (Dec 07)	5-Year (2003-2007)	+0.56%
California Construction Industry Market Escalation Report, Davis Langdon (2005)	1-Year (2005 est.)	+0.50%
California Construction Cost Index, <i>Engineering News-Record</i> /California Dept. of General Services (Jan 08)	5-Year (2003-2007)	+0.40%
<b><i>Average Monthly Construction Cost Escalation</i></b>		<b>+0.84%</b>

# Regents' Threshold Changes Based On Cost Escalation

Threshold	Current	0.5% Monthly	1.0% Monthly	1.5% Monthly
Regents	>\$20MM	>\$34MM	>\$59MM	>\$100MM

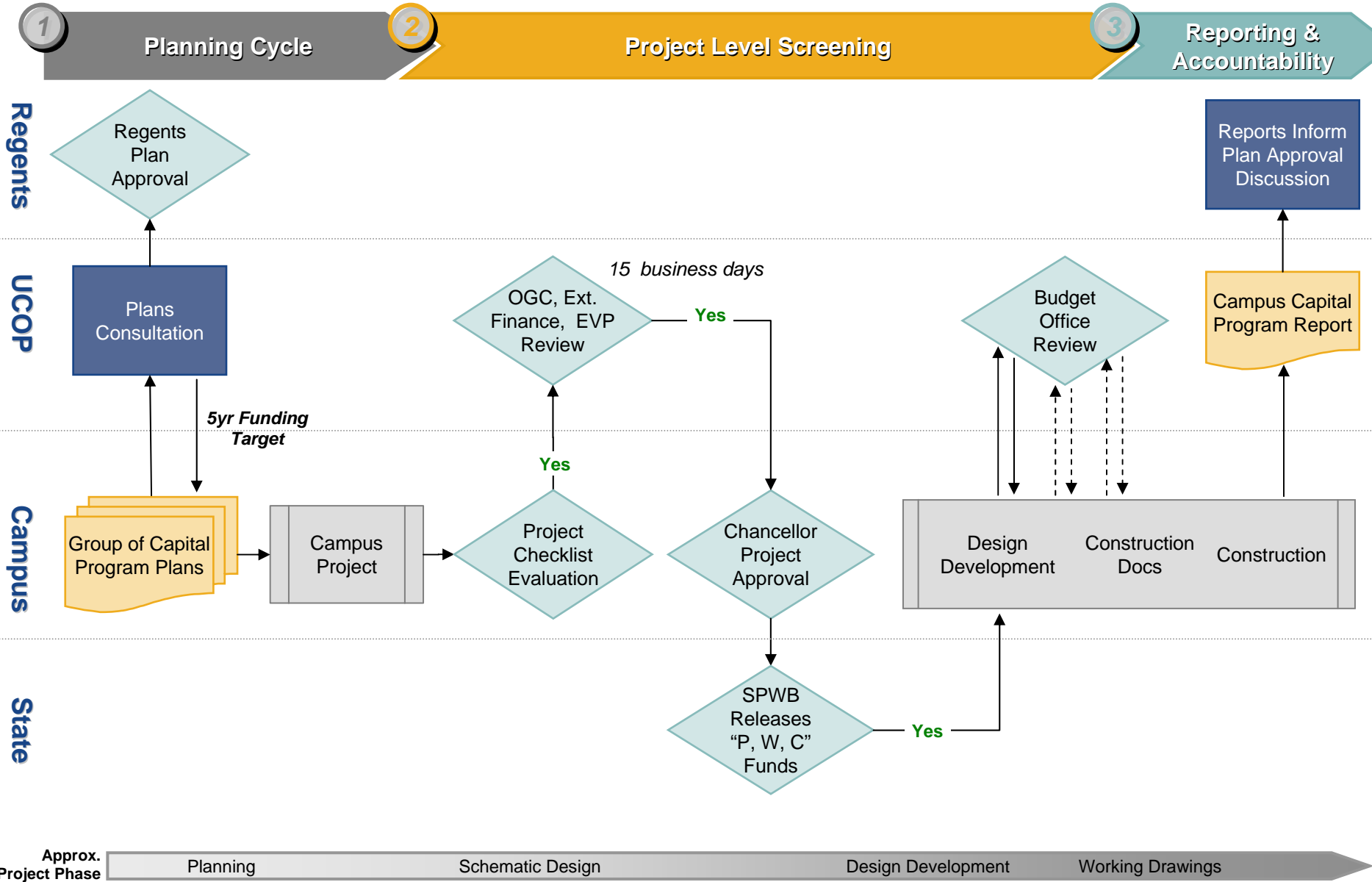
	0.5% Monthly	1.0% Monthly	1.5% Monthly
Construction Cost Escalation Since 1999 (using above monthly escalation figures)	71%	193%	399%

# Addressing the State process – “Conventional” Process



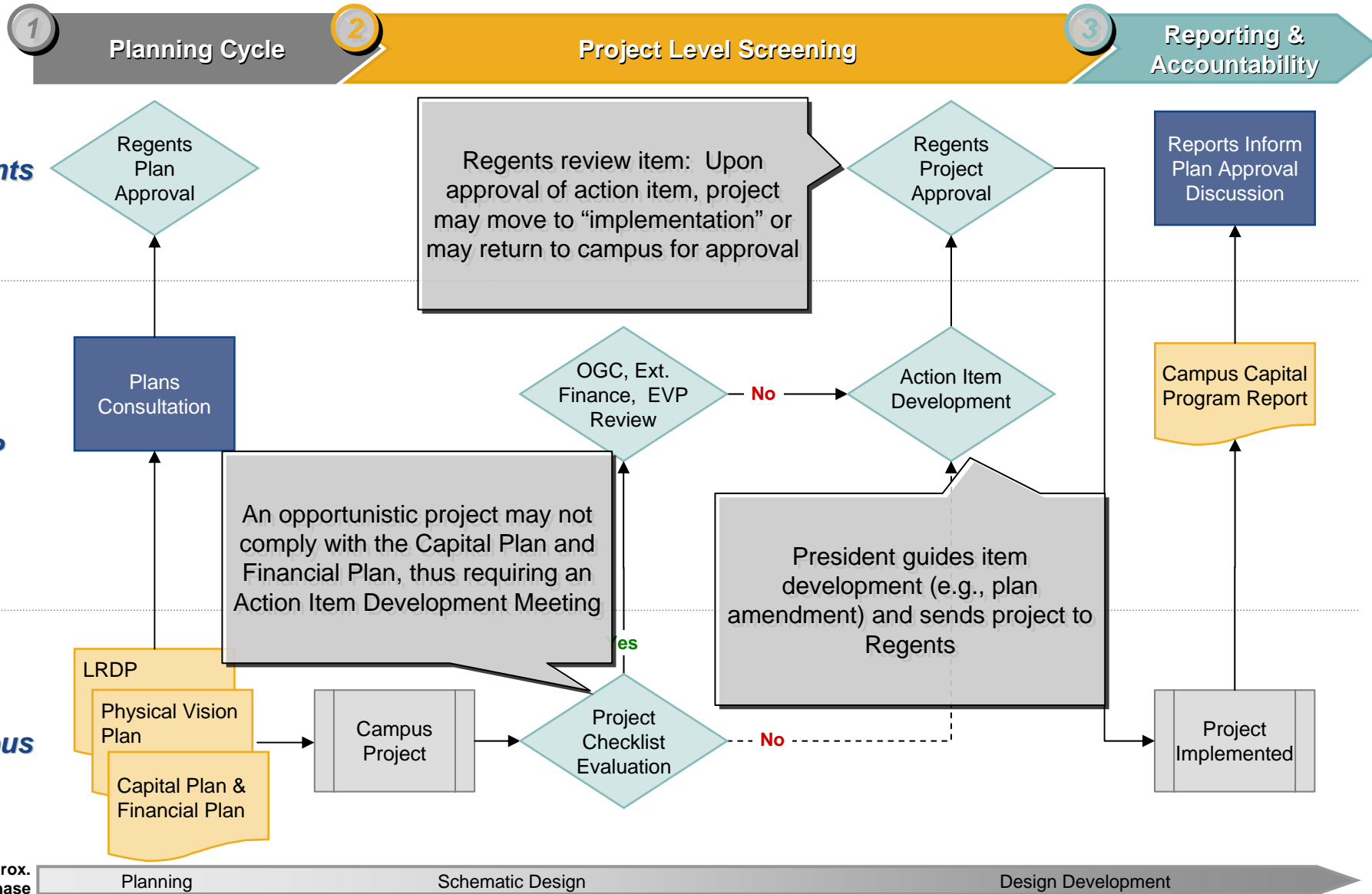


# Addressing the State process – “Streamlined” Process



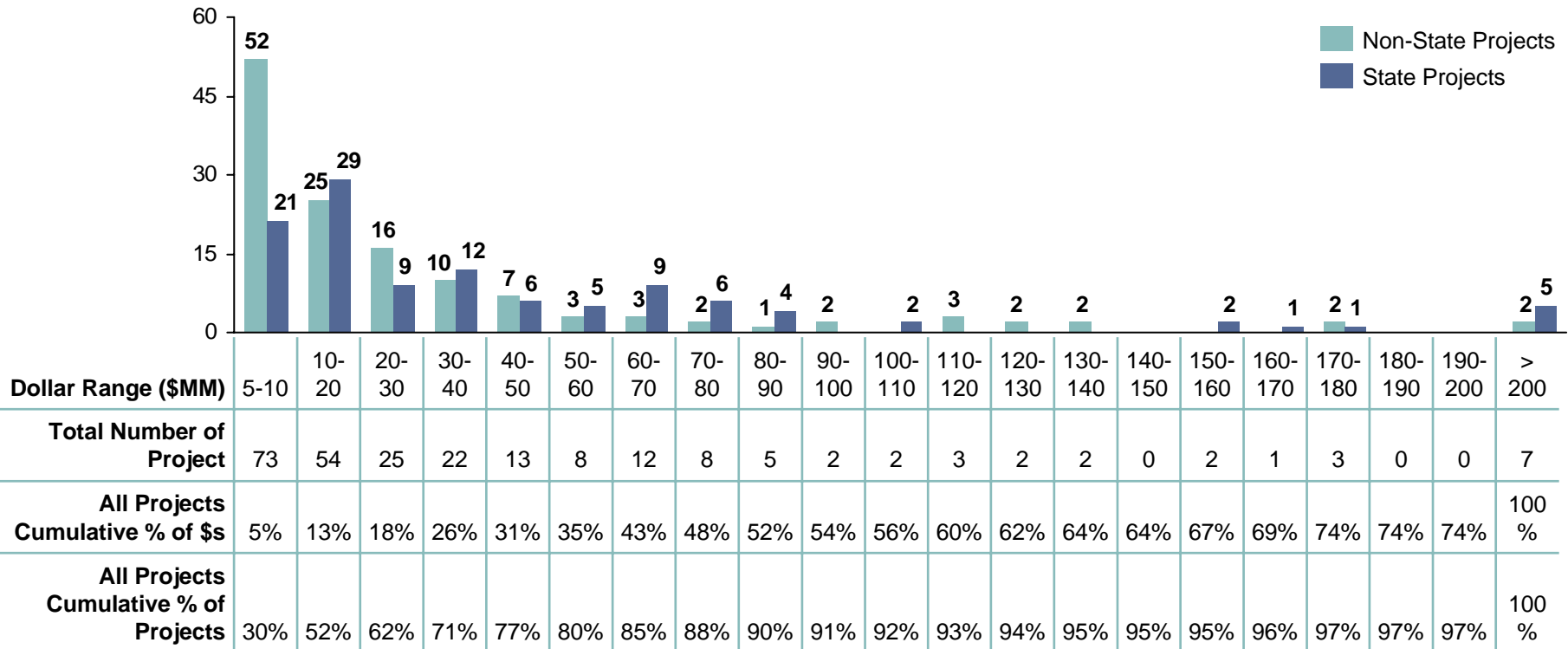
Approx. Project Phase: Planning | Schematic Design | Design Development | Working Drawings

# Opportunistic Projects



# Distribution of Projects

**UC State & Non-State Funded Project Approvals FY2002-FY2007: Distribution By Project Cost**



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