

Capital Project Process Guidelines

Active as of 11/1/2025

1. Purpose and Scope

1.1 Purpose of the Capital Project Guidelines

To ensure uniform, cohesive, and efficient management of capital projects across campus, these guidelines provide standards to be used throughout the divisions of Business Affairs when generating new capital projects, establishing the projects in the financial system, loading budgets into project accounts, transferring cash into project accounts, and closeout of projects upon completion.

1.2 Capital Working Group

A Capital Working Group consisting of individuals from Treasury, Finance Strategy & Solutions (FSS), Office of Budget and Planning (OBP), and University Facility Services (UFS) will meet quarterly to keep an open dialogue about the internal capital project processes at the University. Topics of discussion will include:

- Ongoing review and improvement of existing guidelines.
- Addressing issues that could arise, requiring additional guidelines.
- Implementing changes associated with the University, ABOR, State Legislature, and Federal policies.
- Collaboration on data consolidation and reporting for capital projects.

Separate from the Capital Working Group, a monthly meeting will occur between FSS and UFS to reconcile CIP account financials.

1.3 Scope and Applicability

This guideline covers all projects that would be submitted via the UFS Project Proposal Form (PPF). Utility and deferred maintenance that are separately budgeted within their specific units are excluded from this process. Regardless of being excluded, those projects should still be included when preparing “campus-wide” project reports.

Projects that are \$49,999 or less can proceed if funding has been identified and is within the budget and policy guidelines. Projects between \$50,000 and \$9,999,999 will require the PPF process, routing, and approval. Projects \$10,000,000 and greater will follow the PPF plus ABOR/JCCR processes as outlined below.

[Placeholder for brief paragraph on Integrated University Capital Planning and how this guideline fits into the process.]

1.4 Non-ABOR vs ABOR Projects

Any project requiring submission to the Arizona Board of Regents (ABOR) is considered an ABOR project. These can include, but are not limited to:

- Any project with a total cost of \$10,000,000 or greater.

- Any project that will have debt financing as a funding source.
- Any project that involves a public-private partnership (P3), conduit debt, or similar structures.

ABOR Projects are required to undergo at least three additional approvals (CIP, ACP, PFA). They can also include submission to the state Joint Committee for Capital Review (JCCR) for projects financed with debt or funded with State Capital Infrastructure Funds (CIF). These approvals would include projects under \$10 million if being financed by debt. All of these approvals create an extended timeline before construction can begin, which should be taken into account when planning a project.

1.5 Establishing New Capital Project Accounts

If a project submitted via PPF is not ready to become a full project and will need to go through a study, it will not receive an individual capital project account. Studies will be consolidated in a shared capital project account considered exempt from capitalization.

Upon completion of a study, if the project continues and meets the accounting threshold to be considered a capital project (\$100,000), it will receive an individual capital project account, and the existing expenses will be moved to the new project account.

Each project account will be associated with a distinct scope of work. "Master Agreement" accounts that would not encompass a specific scope of work and would need to remain open for the life of the agreement are not to be created.

When an account is being requested, the completed and approved PPF should be linked or otherwise provided in the request to confirm completion of the required approvals.

2. Project Generation and Approval Routing

2.1 Project Generation

The standard method for project generation is via the UFS Project Proposal Form. For projects generated from campus departments, a unit representative should contact UFS to initiate the process. The unit representative will be walked through the PPF so the process can be explained, and any initial questions can be addressed.

If a project is generated centrally from within Business Affairs, it should still be completed via a PPF to ensure tracking of approvals and consistency in project initiation data. UFS should initiate the form.

2.2 Approval Routing Overview

Once a PPF has been started, the requesting unit will load its initial information and go through the self-contained approval routing within the platform. All approvers will be able to see all data input in the form, including all attachments. The process will include:

- **Initial Data Input:** The requesting department inputs initial scope and condition details.

- **Departmental Approval:** This will be the Dean or Vice President of the unit requesting the project, confirming that they accept and agree that the project should move forward.
- **Preliminary Cost Estimate:** UFS provides an initial estimate for the cost of the study or project.
- **Funding Plan Preparation:** Every proposed capital project must have a detailed funding plan (including the source of funds) to support the planning, design, construction, or renewal costs. The requesting department prepares a funding plan based on the estimate. See Section 3 for further details.
- **Budgetary Approval:** The Office of Budget and Planning reviews the funding plan along with the department's existing budget to determine its feasibility and "soundness." Projects that move forward to final approval by Senior Leadership must have secured funding from all sources.
- **Senior Leadership Approval:** Depending on the requesting party, this can include the Provost's office, the SVP of Research, the office of the CFO, the office of the President, and the possibility for others, depending on the nature and scope of the requested project.

Once senior leadership approves a capital project, it **does not** guarantee a specific timeline or start date. As noted in section 1.3, ABOR Projects have additional approvals that will create an extended timeline before construction can begin.

3. Funding Plan Requirements

3.1 Funding Plan Requirement

No project submitted for consideration will be approved until the requesting unit prepares a funding plan. If FSS supports a requesting unit, they should work with their team in FSS to complete the funding plan.

Funding plans identify all funding sources and will be regularly reviewed to assess the risk of cost escalation and take mitigating actions.

The expectation for a project to move into the construction phase is the full cash funding of the project account. If the proposed funding plan does not allow for this, then the project would not be considered ready to move forward. This excludes debt, grant, and certain Foundation-funded projects which function on a reimbursement method.

3.2 Funding Plan Updates

Any request for additional scope on a project that would increase the budget requires a justification and updated funding plan from the requesting unit. No additional scope will be approved until the justification and updated funding plan are completed.

3.3 Funding Plan Template

The funding plan template allows the unit to identify each source based on the following categories: Unrestricted, Restricted, Gifts/Foundation, Institutional Support, Bridge Loan, Debt Financing, and Sponsorship. The timing of the sources will be shown by quarter, which will be fed to the summary sheet to show fiscal year totals. Some sources identified below

will always require additional details. Still, additional information can be requested about **any** of the sources depending on the nature and scope of the project and the prior track record of the unit.

3.4 Gift/Foundation Additional Detail

If a project's sources include gifts or Foundation funds, additional information will also be requested to identify:

- The amount of funding that has already **been received**.
 - Donor funds must be in hand to be considered in this grouping.
- The amount of funding that has **been pledged** but has not been received.
 - Signed pledge agreements must be in hand to be considered in this section.
 - Timeline for receiving donor funds is capped at four years unless reasonable circumstances allow for a longer term.
- The amount of funding that is **unpledged** and still left to raise.

Units with pledged gifts but who do not yet have the resources available in cash to pay project costs may need to request "bridge funding" from Treasury, which can require interest payments.

Per Foundation Policy, gift projects under \$500,000 that are expected to be completed within 6 months can transfer the entire budgeted amount to the University in a single request. For all other projects, the Foundation can provide quarterly drawdowns matching the direct cash flow needs of the project until all funds have been spent.

Documentation required by the Foundation can include the approved PPF and a project cash flow statement (quarterly detail).

3.5 Debt & Bridge Loan Additional Detail

If a project's funding sources include debt financing or a bridge loan, the corresponding sheet in the funding plan template must also be completed to show the payback plan. The agreement for bridge loans may not be finalized when the funding plan is completed, but it will be finalized before the budget is loaded into the project account.

4. Budget Load & Cash Transfer Standards

4.1 Budget Load

Wherever possible, the budget for capital projects will be loaded without additional requests or documents required, based on the guidelines in the two subsections below. These generally follow the full loading or phased loading approach.

Exceptional cases, including but not limited to design phase adjustments and long-lead procurement, will require written justification and leadership approval. These cases are generally meant to avoid construction delays on high-priority projects, limit cost escalations, or meet timelines for available subcontractors.

These approvals still must abide by the capital policies laid out by ABOR. They will not be approved if the increase in budget permits activities not allowed at the project's current ABOR approval status.

4.1.1 Non-ABOR Projects

The entire budget will be loaded for Non-ABOR projects that meet the following criteria:

- Funding sources have been fully identified and approved
- A cash draw timeline is in place and agreed upon by the unit. See Section 4.2 for additional details.

If there is a concern about the likelihood of availability of any of the funding sources, the Office of Budget and Planning and the responsible department will discuss it before loading the budget. Clear justification and senior leadership approval will be necessary for any requested unfunded budget load.

4.1.2 ABOR Projects

The budget will be loaded for ABOR projects up to the milestones below:

• PPF Approval:	10% of the total budget
• ABOR Capital Improvement Plan (CIP) Approval:	20% of the total budget
• ABOR Project & Financing Approval (PFA):	100% of the total budget

Per ABOR Policy 7-102, following CIP approval, the University can only contract for outside professional and consultant services, construction management and preconstruction services, and site investigation and preparation.

Any additional budget needed between these milestones will require a justification and must be approved by the VP of Finance & Budget on a case-by-case basis. Any additions are still required to stay within the guidelines of the ABOR policy.

4.2 Cash Transfers for Capital Projects

If the cash planned to be used for a project is readily available, the full amount should be transferred to the project account. For projects fitting allowable exceptions, the timeline in the funding plan will be followed.

For gift-funded projects with pledges being received throughout the project, the cash should be moved as it becomes available, so the capital project account does not go into deficit.

OBP processes cash transfers except for project funding from debt, grants, contracts, and the UA Foundation. See Section 4.4 for additional information on external billing.

4.3 Cash Deficits

All construction project deficits will be regularly reviewed, and responsible departments will be contacted to provide updated funding plans and funding sources to clear any deficits.

Any deficits that become “unfunded” will be escalated to Senior Leadership by OBP for review.

4.4 Coordination of External Billing

Some project funding is based on reimbursement and will not be received until after expenses have occurred in the project account. These generally need to be billed or claimed from an external party. Whenever possible, processing reimbursement of those expenses should occur monthly to ensure project account deficits are filled promptly.

- **Debt-Financed Projects:** Treasury will process bond claims from the trustee bank.
- **Grant-funded Projects:** FSS will process reimbursements from the related Sponsored Project account and provide backup to Sponsored Project Services that meet the reporting detail required for each grant.
- **Other Externally Funded Projects:** FSS, in coordination with the responsible unit, will bill, invoice, or provide documentation to the external entities to receive the requested reimbursement or milestone-driven payments.

5. Project Closeout Standards

5.1 Standards for Review of Account Closure

Once construction has been completed on a capital project account, closeout should be completed as expeditiously as possible, given contractor and other constraints. Following closeout, the project account should be closed in the financial system.

- **Project Closeout:** FSS and UFS share responsibility for finalizing and closing out capital projects. This process is time-consuming and can take an extended time, depending on the contractor and the complexity of the project. Final payment and release of escrow will not occur until as-builts and other required documentation has been received. The UITS-GIS team will escalate issues with obtaining as-builts to UFS leadership.
 - This phase concludes with notification to OBP and Treasury of project accounts that are ready for closure.
- **Final Cash Adjustments:** Based on the information received from FSS, OBP will process any final cash transfers to fill remaining deficits or return remaining funding.
 - Institutional commitments used for the completion of any project will be reimbursed first if the funding sources exceed the project's final costs.
 - Unless specifically tied to a gift or restricted purpose, all remaining funding sources following completion of a project are considered institutional and will not be provided back to departments.
- **Account Closure:** Once cash has been cleared, Treasury will close the capital project account in the financial system.

Within six (6) months of substantial completion of a project, it is expected that the associated account will be closed out even if future related projects are known but do not have a clearly identified timeline or funding source.

5.2 Idle Capital Project Accounts

Uncompleted capital construction projects with minimal or no activity will be reviewed monthly by FSS and updated in a capital project closeout spreadsheet circulated to FSS, UFS, and UITS-GIS. Annually, in April, Treasury will prepare a report of all capital projects that have been idle for more than 12 months for FSS to review.

5.3 Master Contractor Agreements

New master contractor agreements will not be tied to an individual capital project account. This will mean originating project accounts tied to that master agreement can be closed, and new project accounts can be generated for follow-on work outside the scope of the original project. As long as previously existing master agreements are still actively being used, we will have some instances in which those accounts are stuck open. These agreements will be rolled off over time, and the accounts will be closed once the capability becomes available.

5.4 Warranty & Follow-On Work

Warranty work generally requires 2 years for major projects but should not have a cost to the project. This is distinctly different from change orders or added scope, which can occur following occupancy for upwards of a year. As noted in Section 1.5, each account is a distinct scope of work. If that scope has completed, the account should be closed and any follow-on scope should be in a new account.

Guideline History:

Original Date Active	11/01/2025
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