

To: Vice Presidents, Chancellors, and Deans

From: Richard Pfutzenreuter, CFO and Treasurer
Kathleen O'Brien, Vice President
Robert Kvavik, Associate Vice President

Re: FY 2010 Annual Capital Budget

Date: March 6, 2009

This letter announces the annual opportunity for units to submit capital projects for inclusion in the FY 2010 Annual Capital Improvements Budget. The capital budget is approved by the Board of Regents in June and includes all planned capital expenditures for the following year that are anticipated to cost more than \$500,000.

As a reminder, the annual capital budget only includes projects that:

- * are estimated to cost more than \$500,000
- * have a completed and approved predesign study (completing schematic design is encouraged)
- * have all of their funding either "in-hand" or have an approved finance agreement
- * are ready to proceed into design and construction

The capital budget process is NOT the place to advance major new capital project proposals for inclusion in the six-year capital plan. In order to better align academic and facility planning, units wishing to submit projects for inclusion in the six-year capital plan should identify their capital priorities in their compact document. These instructions were distributed by the Office of the Senior Vice President for Academic Affairs and Provost.

For legislatively funded projects, the University has implemented the new budget model whereby the project sponsor will pay all costs associated with meeting the one-third obligation. State capital budget appropriations provided to the University through the Higher Education Asset Preservation and Renewal (HEAPR) program are exempt from the 1/3rd state debt requirement.

All projects are required to have at least 80 percent of the required funds 'in-hand' before a project will be bid. This policy also applies to the 1/3 portion of the project which is the responsibility of the project sponsor. Project sponsors may meet their share of the costs through local unit resources or through philanthropic gifts, corporate sponsorships or other fundraising activities. Priority should be placed on providing funds to the project under a timeline that is consistent with the project construction schedule. However, University administration understands that there may be a need for short term (1-8 years) or long term (up to 20 years) financing and units should contact the Office of Budget and Finance to discuss financing needs.

If you have a project that you wish to include in the annual capital budget but have not started a predesign, you will find information on how to initiate a capital project in Section D of the attached capital budget instructions.

To facilitate the development of the capital budget, and to minimize the number of capital budget amendments that must occur during the course of the year, please:

- * Distribute these instructions to appropriate personnel within the units that report to you. Instructions are being sent to Vice Presidents, Chancellors, Deans, and RRC managers. Instructions are not being sent directly to directors and department heads because you may wish to provide supplemental instructions and time requirements.
- * Collect all capital projects within your area of responsibility, and return the list electronically (see attached form) to the appropriate Chancellor / Vice President by **Thursday March 26, 2009** in order for them in turn to be forwarded to the Budget Office by **Friday April 10, 2009**. The project lists will be collected and reviewed for technical issues by the Capital Oversight Group. Projects will then be reviewed by the President's Executive Committee and the Faculty Senate governance structure in April as the President prepares his recommendations for the Board of Regents.

All requests must be channeled through the appropriate vice presidents and chancellors for review.

Specific questions regarding the changes in the capital budget process or the status of previously submitted projects should be directed to Brian Swanson in the Budget Office at 612-625-6665.