To: Vice Presidents, Chancellors, and Deans
   RRC Facility Leads
   RRC Finance Leads

From: Mike Berthelsen, Vice President for University Services
      Mike Volna, Associate Vice President & Assistant Chief Financial Officer

Re: FY 2020 Annual Capital Improvement Budget

Date: February 18, 2019

This letter announces the annual opportunity for units to submit capital projects for inclusion in the FY 2020 Annual Capital Improvement Budget.

The Annual Capital Improvement Budget is submitted for review and action by the Board of Regents in May / June of each year and includes all planned capital expenditures for the following year where total project costs (design costs, construction, management fees, etc.) are anticipated to exceed $1,000,000. If your unit has a project greater than $1,000,000 that it intends to initiate during FY20 it is important that you submit your project for consideration now. The Regents are not generally supportive of mid-year amendments to the Capital Budget that have not previously been identified as potential additions.

As a reminder, the annual capital improvement budget includes projects that meet the following conditions:

* the proposed project must have a predesign completed by Capital Project Management (CPM)
* the proposed project either must have all necessary project funding identified and available for the project or an approved finance agreement with University Budget and Finance
* the proposed project is ready to proceed into design and construction within fiscal year 2020

**NOTE:** The annual capital improvement budget is NOT the process to advance new capital project proposals. Units wishing to initiate new projects valued at greater than $1,000,000 should complete the Project Request form to begin a feasibility study. Projects greater than $1,000,000 will be considered for inclusion in the University’s Six Year Capital Plan. Additional information on the Six Year Plan process will be provided at a later date.

See also Administrative Policy: Funding and Approvals of Capital Projects.

It is important for units to understand that for all capital projects—including legislatively funded projects—the University’s budget model assigns to the project sponsor all cost associated with meeting future debt obligations as well as ongoing operating costs for the space. These costs will appear as part of the cost pool charges for that unit at the appropriate time.
For those projects proposing to utilize University debt as part of the project financing plan it is critical that you contact University Budget & Finance **as soon as possible.** The University typically issues debt in the November to December timeframe due to the need for the most up to date annual financial statements which are required by rating agencies.

**Annual Capital Improvement Budget Submittal Instructions:**

To facilitate the development of the annual capital improvement budget and to minimize the number of capital budget amendments that 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 Facility Leads.
  - *Instructions are not being sent directly to directors and department heads because you may wish to provide supplemental instructions and submission requirements.*

* Collect all capital projects within your area of responsibility, complete the attached Capital Project Submittal Form, and return the list electronically to the appropriate Chancellor / Vice President by **Friday, March 8, 2019.**

* Once approved by the Chancellor/Vice President, forward the form to Andrew Chan (chan0391@umn.edu) in University Services Finance by **Friday, March 22, 2019.**

* The project lists will be collected and reviewed by the Capital Oversight Group prior to Regent review and approval in May and June 2019.

* A copy of the current 6 year plan and last year’s Annual Capital Budget can be found at http://finance.umn.edu/budget_capital.html

All requests must be channeled through the appropriate vice presidents and chancellors for review prior to submission for Capital Oversight Group review.

Specific questions regarding the annual capital improvement budget process or the status of previously submitted projects should be directed to either:

- Andrew Chan, University Services Finance at chan0391@umn.edu / 612-625-4931, or
- Ian Baebenroth, Planning, Space and Real Estate at ifb@umn.edu / 612-625-4454