

 <p>The University of British Columbia Board of Governors</p>	<p>Policy No.: 126</p>	<p>Approval Date: June 2017</p> <p>Last Revision:</p>
	<p>Responsible Executive: Vice President, Finance & Operations</p>	
<p>Title: Capital Projects, Capital Purchases & Internal Loans</p>		
<p>Background & Purposes:</p> <p>Pursuant to the <i>University Act</i>, the Board of Governors must act in the best interests of UBC, and must ensure the proper management, administration and control of UBC’s property, revenue, business and affairs.</p> <p>UBC receives funds from many sources, including governments, public agencies, contracting parties, and donors, to carry out its research and teaching mission.</p> <p>The Board of Governors has identified certain types of capital expenditures as being associated with higher risk and requiring greater oversight as part of UBC’s risk management strategy.</p> <p>The purposes of this Policy are to:</p> <ul style="list-style-type: none"> • ensure there is appropriate oversight of capital expenditures and internal loans commensurate with the value and risk associated with those activities; and • establish a framework for requests, approvals, monitoring and reporting. <p>The approval requirements of this Policy are in addition to other Board of Governors Policies and Procedures, and the signing resolutions adopted by the Signing Committee of the Board of Governors, which govern signing agreements and commitments on behalf of UBC.</p> <p>This Policy should be read in conjunction with:</p> <ul style="list-style-type: none"> • <i>Policy #92 – Land Use and Permitting;</i> • <i>Policy #122 – Purchasing;</i> • <i>Policy #125 – Retained Risk Fund for Major Construction Projects;</i> and • <i>UBC’s Signing Resolutions.</i> 		

1. Scope

- 1.1. This Policy applies to Capital Projects and Capital Purchases, and establishes different approval requirements based on their respective Aggregate Estimated Value. This Policy also applies to Internal Loans, and establishes different approval requirements based on loan value.
- 1.2. This Policy applies to Capital Projects and Capital Purchases regardless of the source of the funding or financing. For greater certainty, this Policy applies where a Capital Purchase or Capital Project is fully or partially funded by grants and agreements of any kind (including, but not limited to, research grants and agreements), and donations.

2. Definitions

2.1. In this Policy:

- 2.1.1. “**Aggregate Estimated Value**” means the aggregate estimated value of a Capital Project or Capital Purchase, which includes all costs and expenditures that may be reasonably expected as part of the project or purchase, as further described in the Procedures to the Policy.
- 2.1.2. “**Board**” means the UBC Board of Governors.
- 2.1.3. “**Capital Projects**” means, collectively, Construction Projects and IT Projects.
- 2.1.4. “**Capital Purchases**” means the purchase of physical and intangible assets (whether by way of ownership or leasehold interest, or license) that are used for productive purposes, that have a useful life of over one year, and that do not take place as part of a Construction Project or IT Project, including the purchase of:
- (a) real property;
 - (b) equipment or software, or both, acquired or licensed for research purposes;
 - (c) mechanical and electronic equipment and related software;
 - (d) tools, vehicles, furniture and fixtures;
 - (e) any form of content for the UBC Library’s collections;
 - (f) works of art or other items for public display, education or research for UBC’s museums, art galleries or outdoor art collections; and
 - (g) any other purchases of a similar capital nature, as determined by the Responsible Executive.
- 2.1.5. “**Construction Projects**” means the construction, renewal, renovation, restoration, and replacement of buildings, structures, improvements, and other physical infrastructure, and any parts thereof.
- 2.1.6. “**Executive**” means the President’s Executive Committee.
- 2.1.7. “**Internal Loans**” means loans made by the UBC Treasury to UBC’s own academic, administrative and ancillary units in return for a commitment to repay the loan, with interest.
- 2.1.8. “**IT Projects**” means projects that involve the acquisition or development of software (including purchases, licenses, and subscriptions (e.g. software as a service)) or the acquisition of information technology hardware, or both, including upgrades from one major version to another, and a range of associated activities and services (including planning, scoping, requirements-gathering, installation, development, integration, configuration, and implementation).

3. Approvals, Generally

- 3.1. Regardless of the Aggregate Estimated Value of a particular Capital Project, Capital Purchase or Internal Loan, if:
 - 3.1.1. the Responsible Executive determines that the matter is precedent-setting or sensitive; or
 - 3.1.2. a member of the Board requests that the matter be brought before the Board for approval,

that Capital Project, Capital Purchase or Internal Loan (as the case may be) must be brought to the Board for approval, through the relevant Board approval process identified in this Policy and its Procedures.
- 3.2. The approvals required by this Policy are in addition to the requirements otherwise established by the Board, including, without limitation:
 - 3.2.1. all procurements related to Capital Projects and Capital Purchases must be made in compliance with Policy #122 – Purchasing;
 - 3.2.2. all legally binding commitments and agreements required to carry out every Capital Project and Capital Purchase must be signed in accordance with the Signing Resolutions adopted by the Board’s Signing Committee, or as otherwise indicated by the Board;
 - 3.2.3. all Construction Projects must comply with Policy #125 – Retained Risk Fund for Major Construction Projects (as applicable) and Policy #92 - Land Use and Permitting, including all applicable Land Use Rules adopted thereunder, and the applicable Governance Requirements (as defined in Policy #92); and
 - 3.2.4. Construction Projects on UBC’s Vancouver Campus must not be inconsistent with UBC’s Land Use Plan; and Construction Projects on UBC’s Okanagan Campus must be in accordance with the applicable land use bylaws and resolutions of the City of Kelowna.

4. Approvals for Capital Purchases

- 4.1. Every faculty, unit, department or individual that is responsible for a Capital Purchase must ensure that the purchase is made in good faith to advance UBC’s mission and mandate, is within the relevant budget or is otherwise fully funded, and that the purchase is conducted in compliance with all policies, rules and regulations relevant to that faculty, unit, department or individual, including the administrative directives issued by the Responsible Executive, or delegate in accordance with the Procedures to this Policy.
- 4.2. However, the execution of legally binding agreements or commitments to complete a Capital Purchase must be made either:
 - 4.2.1. in accordance with the Signing Resolutions approved by the Signing Committee of the Board; or otherwise,
 - 4.2.2. with the approval of the Board.

5. Approvals for Capital Projects (Construction Projects and IT Projects)

- 5.1. Capital Projects with an Aggregate Estimated Value of over \$5 million require the approval of the Board.
- 5.2. Capital Projects with an Aggregate Estimated Value of \$5 million or less require the approval of the Executive, or their delegate.

6. Consultants for Construction Projects

- 6.1. The procurement process for all Construction Projects must ensure that the process for selecting prime consultants (architects, engineers etc.) ensures the public's confidence in the integrity of the selection process, including without limitation: the principles contained in Policy #122 – Purchasing, and ensuring that equal opportunities for consideration are provided to all interested and eligible firms. The Executive may issue administrative directives regarding selecting prime consultants, and upon publication, all Construction Projects where prime consultants are engaged, must comply with those directives.
- 6.2. It is expected that Construction Projects conducted on UBC premises (owned, leased or otherwise occupied or controlled) will be managed by a UBC department or related-entity with the mandate of providing professional project management and coordination services to UBC. In exceptional circumstances, the Responsible Executive or his/her delegate may approve the delivery of such services by other entities (e.g. the owner of a premises leased by UBC).

7. Budget Increases For Capital Projects

- 7.1. In this Section 7, the “**Incremental Limit**” is a proposed increase that is both:
 - 15% or less of the originally approved Aggregate Estimated Value; and
 - under \$2.5 million.
- 7.2. Where there is a proposal to increase the Aggregate Estimated Value of a Capital Project, the following sections apply:
 - 7.2.1. If the new, increased Aggregate Estimated Value remains within the monetary threshold of the original approval authority, approval for the increase must be sought from that same authority or, if the increase is within the Incremental Limit, the Responsible Executive or their delegate, provided that the Responsible Executive must report the approval to the original approval authority at the next reasonable opportunity.
 - 7.2.2. If the new, increased, Aggregate Estimated Value exceeds the original approval authority's monetary threshold:
 - (a) if the proposed budget increase is within the Incremental Limit, approval for the increase must be sought from the original approval authority, or the Responsible Executive or their delegate, provided that the Responsible Executive must report the approval to the original approval authority at the next reasonable opportunity; and
 - (b) in all other cases, approval for the increase must be sought from the next higher approval authority.

8. Internal Loans

- 8.1. Internal Loans with a value of over \$5 million require the approval of the Board.
- 8.2. Internal Loans with a value of \$5 million or less require the approval of the Executive, or their delegate.
- 8.3. The Responsible Executive shall establish administrative directives that set out the principles, criteria and approval processes for any UBC faculty or unit to obtain an Internal Loan, and the terms upon which Internal Loans will be granted.
- 8.4. All applications for Internal Loans must be developed and brought forward for approval in accordance with those administrative directives, and all Internal Loans must be granted on terms consistent with those administrative directives.

9. Planning and Reporting

- 9.1. The Executive shall establish the terms of reference for an advisory group named the Capital Planning Working Group, consisting of members from the UBC Vancouver and UBC Okanagan campuses, to:
 - 9.1.1. evaluate and prioritize planned and foreseeable Capital Projects (that are determined to be “major” in the terms of reference);
 - 9.1.2. propose a major capital priorities plan; and
 - 9.1.3. propose the Provincially required five-year capital plan.
- 9.2. At least annually and at such other times as requested by the Board, the Responsible Executive will deliver a report to the Board:
 - 9.2.1. on current Capital Projects and Internal Loans and those expected in the next fiscal year; and
 - 9.2.2. the number and value of Capital Projects approved under this Policy in the preceding year, highlighting projects with high profile and significant impact on UBC.

10. Recording

- 10.1. All Capital Projects and Capital Purchases that meet the criteria established by the Responsible Executive must be recorded on the UBC Capital Asset Register established and administered by the Responsible Executive.
- 10.2. All Internal Loans must be recorded on the UBC Internal Loan Register established and administered by the Responsible Executive.

PROCEDURES

Approved: June 2017

Pursuant to Policy #1: Administration of Policies, "Procedures may be amended by the President, provided the new procedures conform to the approved policy. Such amendments are reported at the next meeting of the Board of Governors".

Note: the most recent procedures may be reviewed at <http://universitycounsel.ubc.ca/policies/index/>.

1. General

- 1.1. Approval by the Board means a formal approval in accordance with the Board's bylaws, rules and regulations. Matters brought before the Board for information only are not thereby deemed approved.
- 1.2. Approval by the Executive means approval by the executive committee established by the President, in accordance with that committee's rules and regulations. Matters brought before the Executive for information only are not thereby deemed approved.
- 1.3. If there is any doubt about whether a particular purchase, acquisition, or project is a Construction Project, an IT Project, a Capital Purchase or an Internal Loan, then subject to any direction by the Responsible Executive, the following individuals may make the determination:

Construction Project	Managing Director, Infrastructure Development
IT Project	Chief Information Officer
Capital Purchase	Executive Director, Financial Operations
Internal Loan	Treasurer

- 1.4. Every delegation made under this Policy or these Procedures must be made in writing.

2. Requirements regarding the Aggregate Estimated Value

- 2.1. Where a Capital Project or Capital Purchase will or may reasonably be expected to require additional expenditures, whether because such expenditures will become necessary or advisable as a direct or indirect result of the project or purchase, or are otherwise part of an overarching project or strategy that is broader than the current project or purchase, the following sections apply:
 - 2.1.1. the aggregate estimated value of these additional expenditures must be disclosed at the time of the request for the approval of the Capital Project or Capital Purchase (as the case may be); and
 - 2.1.2. unless otherwise instructed by the Responsible Executive, if:
 - (a) these additional expenditures will be sought within the next two fiscal years; or
 - (b) these additional expenditures are material, as determined by the Responsible Executive,

the cost of these additional expenditures must be added to the Aggregate Estimated Value of the Capital Project or Capital Purchase.
- 2.2. The Aggregate Estimated Value of all Construction Projects must include the total estimated cost of the following, as applicable: construction, fixturing (furniture, fixtures and equipment), fitting out and commissioning, associated landscaping, soft costs (including architectural, engineering, project management, legal costs (internal and external), and other pre- and post-construction expenses),

construction period financing costs, permit and development fees and charges (whether imposed by UBC or a municipal authority), contingencies, retained risk (if applicable, see UBC Policy #125), taxes and such other costs as determined by the Responsible Executive.

2.3. The Aggregate Estimated Value of all IT Projects must include:

2.3.1. the estimated costs related to the acquisition or development of the asset(s) (e.g. software) including purchase, licensing or subscription (as the case may be) during the planning, scoping, configuration, customization, development, installation, implementation and integration phase of the IT Project (as the case may be), related vendor and third-party services (including project/program management, configuration, customization, implementation and integration services), contingencies, and taxes;

2.3.2. in a software as a service (or similar) acquisition, the estimated licensing/subscription fees, maintenance (if applicable) and support service fees, etc., for the anticipated initial term of the contract(s) with the service provider(s); and

2.3.3. such other costs (including applicable internal costs) as determined by the Responsible Executive.

2.4. The Responsible Executive may issue directives providing details, interpretations, and guidance regarding determining the Aggregate Estimated Value of Capital Projects.

3. Approvals for Capital Purchases

3.1. The Responsible Executive, or delegate, shall establish, maintain and publish administrative directives to manage the process for applying for the processing of all Capital Purchases, which shall at minimum include confirmation of the source and availability of funds for the purchase, and the required approvals from the unit originating the purchase.

3.2. Where the proposed Capital Purchase may be approved under a Signing Resolution authorized by the Signing Committee of the Board (i.e., the purchase is under \$10 million and is not precedent setting and does not involve sensitive issues) the faculty, department or unit proposing the purchase must ensure that the legally binding agreement or commitment to complete a Capital Purchase is entered into in accordance with the Signing Resolutions issued by the Signing Committee of the Board.

3.3. Where a proposed Capital Purchase may not be approved under a Signing Resolution authorized by the Signing Committee of the Board (i.e. the purchase exceeds \$10 million, or is precedent setting or involves sensitive issues), the faculty, unit or department proposing the purchase must:

3.3.1. proceed in accordance with the administrative directives issued by the Responsible Executive, or delegate; and

3.3.2. seek Board approval through the relevant Dean, if the purchase relates to a faculty, the University Librarian, if the purchase relates to the UBC Library, or otherwise the Vice-President to whom the unit or department reports.

3.4. At least annually, the Responsible Executive shall present to the Board a report of the UBC's aggregate spending on all Capital Purchases.

4. Approvals for IT Projects

4.1. References to the “**Provost/DVC**” in this Section 4 mean:

- 4.1.1. for IT Projects with a material impact upon both the UBC Vancouver and Okanagan campuses and off-campus sites and facilities under joint purview, both the Provost & Vice President Academic (UBC Vancouver), and the Deputy Vice Chancellor and Principal (UBC Okanagan);
- 4.1.2. for IT Projects with a material impact upon only the UBC Vancouver campus and off-campus sites and facilities under its purview, the Provost & Vice President Academic (UBC Vancouver); and
- 4.1.3. for IT Projects with a material impact upon only the UBC Okanagan campus and off-campus sites and facilities under its purview, the Deputy Vice Chancellor and Principal (UBC Okanagan).

4.2. For convenient reference, as further described in this Section 4, all IT Projects require the following approvals:

Aggregate Estimated Value of the IT Project	Approval Authority
under \$2,500,000	Provost/DVC and Chief Information Officer, or their delegates (see Section 4.4 below)
\$2,500,000 and over, up to \$5,000,000	Executive
Over \$5,000,000	Board

4.3. All IT Projects must be developed and brought forward for the approvals described above in accordance with any administrative directives issued by the Provost/DVC and Chief Information Officer.

4.4. Procedures for IT Projects under \$2,500,000:

The Provost/DVC and Chief Information Officer have delegated approval authority as follows:

- (a) for IT Projects with an Aggregate Estimated Value of less than \$250,000 and primarily for the benefit of and consistent with the approved budget of a faculty or unit, that faculty’s Dean or the unit’s Head (or equivalent) or their respective delegate;
- (b) for IT Projects with an Aggregate Estimated Value between \$250,000 and \$1,000,000 and consistent with the approved budget of initiating faculty or administrative unit, the Chief Information Officer;
- (c) for IT Projects with an Aggregate Estimated Value over \$1,000,000, up to \$2,500,000 and consistent with the approved budget of the Provost/DVC, the Provost/DVC;
- (d) notwithstanding the foregoing, for IT Projects with an Aggregate Estimated Value of \$2,500,000 or less where greater than 60% of the funding is from a research grant, the Vice President Research, or their delegate; and
- (e) for all other IT Projects, the Provost/DVC and Chief Information Officer, or their delegate.

4.5. Procedures for IT Projects \$2,500,000 and over, up to \$5,000,000:

4.5.1. The procedure for obtaining the approval of the Executive is the following multi-stage process:

- (a) Provost/DVC 1 Approval: approval of the project idea and rationale.
- (b) Provost/DVC 2 Approval: approval of funding release for activities required to proceed to the next approval. The information that will be required to obtain this approval will be determined by the Provost/DVC, and is expected to include: sponsors and advisors, high level scope, initial estimates of capital and operating costs, and funding sources.
- (c) Provost/DVC 3 Approval: approval of funding release for activities required to proceed to the next approval. The information that will be required to obtain this approval will be determined by the Provost/DVC, and is expected to include: business case, outline overall expected duration, organizational (people) impact assessment, updated capital and operating budget envelope, and funding sources.
- (d) Executive 1 Approval: approval of project in principle, business case, capital budget envelope and funding release for activities required to proceed to the next approval. The information that will be required to obtain this approval will be determined by the Executive, but is expected to include: operating budget, overall expected duration of project, organizational (people) impact assessment and funding sources.
- (e) Executive 2 Approval: approval of updated capital budget envelope and funding release for activities required to proceed to the next approval. The information that will be required to obtain this approval will be determined by the Executive, but is expected to include: governance structure, functional and technical requirements, business architecture, change management strategy and plan, funding sources, updated operating budget, revised overall duration of the project, privacy and security assessments, and identification of preferred supplier(s).
- (f) Executive 3 Approval: approval of final capital budgets, final funding release and proceeding to award to supplier(s) and proceed to implementation. The information that will be required to obtain this approval will be determined by the Executive, but is expected to include: functional and technical fit/gap, solution architecture, detailed risks and constraints, implementation strategy and plan, revised change management strategy and plan, final operating budgets, funding sources, and financing (if required).

4.5.2. For each IT Project approved under this Section, the project's proponent must submit a post-completion report to the Executive, for information only (sometimes referred to as an Executive 4 Report).

4.5.3. It is expected that all approval requests will be presented by the Chief Information Officer and, if applicable, representatives from the highest-ranking governance committee of the IT Project.

4.6. Procedures for IT Projects of over \$5,000,000:

4.6.1. Prior to Board approvals described in this Section, IT Projects must have received Provost/DVC 3 approval, as described in the Section above.

4.6.2. The procedure for obtaining the approval of the Board is as follows:

- (a) Executive 1 Approval: approval of project idea and rationale.

- (b) Executive 2 Approval: approval of initial capital budget, and funding release for activities required to proceed to the next approval. The information that will be required to obtain this approval will be determined by the Executive, but is expected to include: sponsors and advisors, high level scope, initial operating budget, and funding sources.
- (c) Executive 3 Approval: approval of updated capital budget envelope, and funding release for activities required to proceed to the next approval. The information that will be required to obtain this approval will be determined by the Executive, but is expected to include: business case, outline overall expected duration, Organizational (people) Impact assessment, and funding sources.
- (d) Board 1 Approval: approval of project in principle, capital budget envelope and funding release for activities required to proceed to the next approval. The information that will be required to obtain this approval will be determined by the Board, but is expected to include: business case, outline overall expected duration, Organizational (people) Impact assessment, operating budget and funding sources.
- (e) Board 2 Approval: approval of updated capital budget envelope (if applicable), proceeding to select supplier(s), and funding release for activities required to proceed to the next approval. The information that will be required to obtain this approval will be determined by the Board, but is expected to include: Governance structure, functional and technical requirements, Business Architecture, Change Management Strategy and Plan, updated operating budget, funding sources, revised overall duration, and privacy and security assessments.
- (f) Board 3 Approval: approval of updated capital budget (if applicable) and final funding release, and authorization to proceed to award to supplier(s) and proceed to implementation. The information that will be required to obtain this approval will be determined by the Board, but is expected to include: functional and technical fit/gap, solution architecture, detailed risks and constraints, implementation strategy and plan, updated change management strategy and plan, final operating budget, funding sources, and financing (if required).

4.6.3. For each IT Project approved under this Section, the project’s proponent must submit a post-completion report to the Board, for information only. This is sometimes referred to as the Board 4 Report.

4.6.4. It is expected that all approval requests will be presented by at least the Provost/DVC and the Chief Information Officer.

5. Approvals for Construction Projects

5.1. For convenient reference, as further described in this Section 5, Construction Projects require the following approvals:

Aggregate Estimated Value of the Construction Project	Approval Authority
Under \$2,500,000	Executive or delegate (see Section 5.3 below)
\$2,500,000 and over, up to \$5,000,000	Executive
Over \$5,000,000	Board

5.2. All Construction Projects must be developed and brought forward for the approvals described in this Section in accordance with any administrative directives issued by the Executive or their delegate.

5.3. Procedures for Construction Projects under \$2.5 million:

The Executive has delegated approval authority as follows:

- (a) for Construction Projects primarily for the benefit of and consistent with the approved budget of a faculty, that faculty's Dean or their delegate;
- (b) for Construction Projects primarily for the benefit of and consistent with the approved budget of the UBC Library, the University Librarian; and
- (c) for all other Construction Projects, the member of the Executive in whose portfolio the Construction Project primarily falls, or their delegate.

5.4. Procedures for Construction Projects \$2,500,000 and over, up to \$5,000,000:

5.4.1. The procedure for obtaining the approval of the Executive is as follows:

- (a) Executive 1 Approval: approval of project concept, rationale, and funding release for activities required to proceed to the next approval.
- (b) Executive 2 Approval: approval of site, initial capital and operating costs, funding sources, the master program and FTE/space allocation, and funding release for activities required to proceed to the next approval.
- (c) Executive 3 Approval: approval of detailed capital and operating costs, funding sources, financing (if required), functional program, urban design context, and schedule and funding release.

5.4.2. It is expected that all approval requests will be presented by at least the Responsible Executive and the Managing Director, Infrastructure Development.

5.4.3. For each Construction Project approved under this Section, the project's proponent must submit a post-completion report to the Executive, for information only (sometimes referred to as an Executive 4 Report).

5.5. Procedures for Construction Projects of over \$5,000,000:

5.5.1. Prior to Board approvals described in this Section, Construction Projects must have received Executive 3 approval, as described in the Section above.

5.5.2. The procedure for obtaining the approval of the Board is as follows:

- (a) Board 1 Approval: approval of project in principle, preliminary program and schedule, location, preliminary capital and operating budgets, funding sources, authorization to proceed to schematic design, and approval of funding release for next stage.
- (b) Board 2 Approval: approval of revised capital and operating budgets (if applicable), and development permit, authorization to proceed to working drawings and tender, updated funding sources (if applicable), updated schedule, detailed program, and approval of funding release for next stage.

(c) Board 3 Approval: approval of final capital and operating budgets, funding sources, financing (if required), authorization to proceed to award construction contracts, and approval of final funding release.

5.5.3. It is expected that all approval requests will be presented by at least the Responsible Executive and the Managing Director, Infrastructure Development.

5.5.4. For each Construction Project approved under this Section, the project's proponent must submit a post-completion report to the Board, for information only. This is sometimes referred to as the Board 4 Report.

5.6. Exceptions

For greater certainty, Construction Projects of various values (most often renovations, restorations, renewals and replacements) may be approved by the Executive and the Board as part of the annual routine capital program administered by UBC's department of Infrastructure Development and Campus Operations and Risk Management (UBCO), or the annual budget of Student Housing and Hospitality Services. Unless otherwise indicated by the Executive or the Board, once so approved, such Construction Projects need not proceed through an additional approval process described below, provided however that the other provisions of this Policy apply to such projects.

6. Internal Loans

6.1. For Internal Loans valued at under \$1 million, the Executive has delegated approval authority to the Responsible Executive.

6.2. For convenient reference, all Internal Loans require the following approvals:

Loan Value	Approval Authority
under \$1,000,000	Responsible Executive
\$1,000,000 and over, up to \$5,000,000	Executive
Over \$5,000,000	Board