

 <p>The University of British Columbia Board of Governors</p>	<p>Policy No.: 126</p>	<p>Approval Date: June 2017 [anticipated]</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, including making capital expenditures that facilitate research and provide for physical and technological infrastructure.</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 the University.</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 made by UBC, regardless of the source of the funding or financing for the acquisition. For greater certainty, this Policy applies to Capital Projects fully funded by grants or donations, or both, and Capital Purchases fully or partially funded by research grants and agreements.

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 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) equipment or software, or both, acquired or licensed for research purposes;
 - (b) mechanical and electronic equipment and related software;
 - (c) tools, vehicles, furniture and fixtures;
 - (d) any form of content for the UBC Library’s collections;
 - (e) works of art or other items for public display, education or research for UBC’s museums, art galleries or outdoor art collections; and
 - (f) 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 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 where a significant component of the deliverables include the acquisition or development of software (including purchases, licenses, and subscriptions) or the acquisition of information technology hardware, or both, including upgrades and updates of same, and all associated services (including installation, development, integration, configuration, and implementation).

2.2. If there is any doubt about whether a particular purchase, acquisition or endeavour is a Construction Project, an IT Project, a Capital Purchase or an Internal Loan, the Responsible Executive, or his/her designate, shall make the determination.

3. Approvals, Generally

3.1. Regardless of the monetary 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 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.

4. Approvals for Capital Purchases

4.1. Every faculty, unit or department that instigates 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, department or unit, including the administrative directives issued by the Director, Financial Operations.

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

6. Consultants for Construction Contracts

- 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. Each approval of a Capital Project includes the authorization to delegate authority to approve budget increases that do not exceed the Incremental Limit.
- 7.3. Where there is a proposal to increase the Aggregate Estimated Value of a Capital Project, the following sections apply:
 - 7.3.1. If the new (increased) Aggregate Estimated Value remains within the monetary threshold of the original approval authority, approval must be sought from that same authority or, if the increase is within the Incremental Limit, their delegate.
 - 7.3.2. 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, the original approval authority and their delegate may approve the increase; and
 - (b) in all other cases, approval must be sought from the next higher approval authority.

8. Internal Loans

- 8.1. Internal Loans with a value of \$5 million or more require the approval of the Board.
- 8.2. Internal Loans with a value of less than \$5 million require the approval of the Executive, or their delegate.
- 8.3. The Responsible Executive shall establish administrative directives regarding 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 provisions of the administrative directives.

9. Planning and Reporting

- 9.1. The Executive shall establish a Capital Planning Working Group, comprised of members from the UBC Vancouver and UBC Okanagan campuses, to:
 - 9.1.1. evaluate and prioritize planned and foreseeable Capital Projects;
 - 9.1.2. develop a major capital priorities plan; and
 - 9.1.3. develop a five-year capital plan.
- 9.2. Capital Planning Working Group shall annually update and present the five-year capital plan to the Board.
- 9.3. At least annually and at such other times as requested by the Board, the Responsible Executive will deliver a report to the Board:
 - 9.3.1. on current Capital Projects and Internal Loans and those expected in the next fiscal year; and
 - 9.3.2. 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 [anticipated]

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.

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 costs related to the acquisition of the asset(s) (e.g. software) including acquisition, licensing or subscription (as the case may be), related vendor and third-party services (including configuration, customization, implementation and integration services), taxes and directly related

internal-UBC costs (e.g. staff time to configure, customize and implement the project, including ongoing training and support, and any financing and legal costs (internal and external));

2.3.2. the costs related to operating the asset(s) for its useful life (normally at least 5 years), including ongoing licensing/subscription fees, maintenance and support services, and ongoing internal staff requirements; and

2.3.3. such other 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 Director, Financial Operations 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 Director, Financial Operations; 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 affecting 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 affecting primarily 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 affecting primarily 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
\$2,500,000 to \$4,999,999	Executive
\$5,000,000 and over	Preliminary approval: Executive Final approval: Board of Governors

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 the Chief Information Officer shall establish and publish the process for seeking and obtaining approval from the Provost/DVC and Chief Information Officer, or their delegates.

4.5. Procedures for IT Projects between \$2,500,000 to \$4,999,999:

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

- (a) Provost/DVC 1 Approval: project concept and rationale.
- (b) Provost/DVC 2 Approval: sponsors and advisors, high level scope, initial capital and operating costs, funding sources, and funding release for the next stage.
- (c) Provost/DVC 3 Approval: business case, outline overall expected duration, organizational (people) impact assessment, secondary capital and operating budgets envelope, funding sources, proceed to mobilization, and funding release for next stage.
- (d) Executive 1 Approval: project in principle, business case, outline overall expected duration, organizational (people) impact assessment, secondary capital and operating budgets envelope, funding sources, proceed to mobilization, and funding release for next stage.
- (e) Executive 2 Approval: Governance structure, functional and technical requirements, business architecture, change management strategy and plan, revised capital and operating budget envelope, funding sources, revised overall duration, privacy and security assessments, proceed to select supplier(s), and funding release for next stage.
- (f) Executive 3 Approval: functional and technical fit/gap, solution architecture, detailed risks and constraints, implementation strategy and plan, revised change management strategy and plan, final capital and operating budgets, funding sources, financing (if required), award of implementation contracts, proceed to implementation, and final funding release.

4.5.2. 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 \$5,000,000 and over:

- 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: project concept and rationale.
 - (b) Executive 2 Approval: Sponsors and Advisors, High level scope, initial capital and operating costs, funding sources, and funding release for the next stage.
 - (c) Executive 3 Approval: business case, outline overall expected duration, Organizational (people) Impact assessment, secondary capital and operating budgets envelope, funding sources, proceed to mobilization, and funding release for next stage.
 - (d) Board 1 Approval: project in principle, business case, outline overall expected duration, Organizational (people) Impact assessment, secondary capital and operating budgets envelope, funding sources, proceed to mobilization, and funding release for next stage.
 - (e) Board 2 Approval: Governance structure, functional and technical requirements, Business Architecture, Change Management Strategy and Plan, revised capital and operating budget envelope, funding sources, revised overall duration, privacy and security assessments, approval to proceed to select supplier(s), and funding release for next stage.
 - (f) Board 3 Approval: functional and technical fit/gap, solution architecture, Detailed risks and constraints, Implementation Strategy and Plan, Revised Change Management Strategy and Plan, final capital and operating budgets, funding sources, financing (if required), award of implementation contracts, proceed to implementation, and final funding release.
- 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, Construction Projects require the following approvals:

Aggregate Estimated Value of the Construction Project	Approval Authority
Under \$2,500,000	Executive or delegate (see Section 5.4 below)
\$2,500,000 to \$4,999,999	Executive
\$5,000,000 and over	Preliminary approval: Executive Final approval: Board of Governors

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. For greater certainty, routine Construction Projects of various values (most often renovations, restorations, renewals and replacements) may be approved by the Executive and the Board as part of an annual routine capital budget administered by UBC's department of Infrastructure Development, 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.

5.4. 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 within the budget of a faculty, that faculty's Dean;
- (b) for Construction Projects primarily for the benefit of and within the 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. That member of the Executive may further sub-delegate this authority.

5.5. Procedures for Construction Projects between \$2,500,000 and \$4,999,999:

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

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

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

5.5.3. 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).

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

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

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

- (a) Board 1 Approval: project in principle, location, consultant selection, preliminary program, preliminary capital and operating budgets, funding sources, preliminary schedule, proceed to schematic design, and funding release for next stage.

- (b) **Board 2 Approval:** revised capital and operating budgets, funding sources, revised schedule, detailed program, development permit, proceed to working drawings and tender, and funding release for next stage.
- (c) **Board 3 Approval:** final capital and operating budgets, funding sources, financing (if required), award of construction contracts, and final funding release.

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

5.6.4. 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.

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
\$5,000,000 and over	Initial approval: Executive Final approval: Board of Governors
\$1,000,000 to \$4,999,999	Executive
under \$1,000,000	Responsible Executive