MEMORANDUM

To: Vice Presidents, Finance / Administration

From: Elvyra F. San Juan
Assistant Vice Chancellor
Capital Planning, Design and Construction

Date: November 1, 2012

Re: State and Non-State Funded Capital Outlay Program 2014/2015 and
Five-Year Capital Improvement Program 2014/2015 through 2018/2019

This memorandum is to provide directions on the 2014/2015 Capital Outlay Program development and to provide an update on the status of the CSU 2013/2014 Capital Outlay Program budget request.

Due to the length of time it has been since the CSU has been funded for the Minor Capital Outlay and Infrastructure Improvements (formerly Capital Renewal) programs, we are proposing to prioritize funding to address these systemwide deficiencies should funding be available. These programs are typically funded from general obligation (GO) bond funds. As the last GO bond was approved in 2006, the Minor Capital Outlay program has not been funded since 2007/2008 and the Capital Renewal program last funded in 2008/2009.

This proposal was presented to Executive Council after the CABO discussion and the presidents support this approach. Given this approach would delay the large building projects at the top of the priority list, we have continued to consider the program development to mitigate this negative impact and recognize that the type of program funding is uncertain. As a result, we will propose preliminary plan phase funding for such new building projects to get them moving forward, while still concentrating the bulk of the capital program funds on the renewal of existing buildings and infrastructure. This approach relies upon the Administration and Legislature’s support for the use of Asset Transfer Lease Revenue Bond funds to finance the infrastructure projects, therefore CPDC will identify additional buildings that can be used as assets in an amount exceeding $350 million.

As to our 2013/2014 funding request, the Department of Finance (DOF) returned all of the Capital Outlay Budget Change Proposals requested for inclusion in the Governor’s Budget because they felt the projects did not meet DOF’s critical need criteria. This includes the $13 million in fire/life-safety Infrastructure Improvement project requests and the Group II equipment requests. After some discussion, they are reconsidering the inclusion of four of our equipment requests in the Governor’s Budget and may reconsider including the remaining four equipment projects during the spring budget revision process pending the state’s fiscal condition, project progress and their review of the CSU’s remaining GO bond fund authority.

State Funded Capital Outlay Program
The Schedule of Submissions, Attachment 1, provides deadlines for the draft and final capital program submittals. Campuses should expect critical life-safety projects will continue to receive greater consideration from DOF and the Legislature. Prioritization of 2014/2015 project submittals will follow the Categories and Criteria approved by the board, Attachment 2. In particular, priority will be given to...
projects that address critical seismic and infrastructure deficiencies, including fire/life-safety, and energy/utility management.

The submittals to the DOF are required to have complete project descriptions and program justifications for projects proposed for the 2014/2015 budget year. To simplify campus workload, an initial five-year program for your campus has been drafted by your University Planner (Attachment 3) that includes funding estimates for the Minor Capital Outlay program and Infrastructure Improvement program. The funding estimates have been loosely calculated based on square footage and will be further refined based on actual funding, state and system priorities, leveraging other funds and campus deficiencies.

Project descriptions and feasibility studies submitted for projects unfunded in prior years should require only minimal updates for resubmittal in the 2014/2015 action year, although campus planners should ensure the latest CPDC Cost Estimate Form 2-7 is used due to on-going refinements to budgeting for Labor Compliance, Owner Controlled Insurance, and use of Subcontractors to assist the design process. Campuses are required to involve the Seismic Review Board and Mechanical Review Board members in the review and completion of project feasibility studies for action year project development.

Less detailed "Concept Paper" budget proposals (including Cost Estimate Form 2-7) are required for projects in years 2015/2016 through 2018/2019. Simplified procedures have been developed to reduce costs to prepare out-year budget proposals.

In addition, campuses may resubmit the unfunded 2013/2014 major and minor projects for the 2014/2015 Capital Outlay Program with any updated forms, along with any new project submittals.

**Minor Capital Outlay and Energy Projects**

Minor Capital Outlay projects (as defined per DOF Budget Letter #12-01 as $610,000 or less) submitted for the 2013/2014 capital program will be reused for 2014/2015 since they are not anticipated to be funded. A systemwide program request of $130 million is being targeted for 2014/2015, therefore additional Minor Capital Outlay projects should be prepared to support the current strategy.

The campus may submit new or revised projects in priority order using the form CPDC 2-30 or CPDC 2-32 for Energy/Utility related projects, and please also include architectural barrier removal projects related to the Americans with Disability Act (ADA) in your submission targeting a minimum of 20 percent of the project budget.

Submit campus energy/utility conservation projects costing $610,000 or less inclusive of any rebates, grants or incentive funds that will be used to buy down the project. The potential for incentive funds will be considered when calculating the amount allocated to the campus. The CSU proposal form (CPDC 2-32) accommodates the identification of utility partnership incentive funds, and energy/utility savings information crucial to these projects.

**Infrastructure Improvement Projects**

Infrastructure Improvement projects are defined as those projects that provide replacement of major building components and/or systems that have exceeded their useful life, or those addressing significant building deficiencies with a total per project cost of roughly $3 million. A total systemwide program request of $250 million is planned for 2014/2015, therefore additional Infrastructure Improvement projects should be prepared. Review and approval of Infrastructure Improvement projects follows the normal major capital outlay process, including schematic design approval, in order to receive funding to proceed to working drawings and construction. Funds not encumbered within one year from the date of appropriation will automatically revert on June 30th.
Non-State Funded Capital Outlay Program
Submittal deadlines also pertain to the Non-State Capital Outlay projects. Campuses must consider the impact of non-state project financing on debt capacity limitations as noted in Executive Order Number 994. Draft financial plans for non-state projects, for the 2014/2015 action year only, must be submitted to Financing and Treasury by January 18, 2013 and approved by July 1, 2013. Timely and accurate submittal of non-state projects will enable CSU to forecast and manage future financing needs. Amendments to the Non-State Capital Outlay program should be kept to a minimum.

Questions?
The required Campus Program Submittals, Cost Guide, Categories and Criteria, and Guidelines for Feasibility Study for the 2014/2015 program are available online. Several support documentation forms have been modified to facilitate streamlined budget development. All 2014/2015 program submittals should use current CPDC forms. Access all program information via the CPDC page of the Chancellor's Office web site: http://www.calstate.edu/CPDC/. Select Facilities Planning; Call Letter; and for Forms; select either Major Capital Outlay or Minor Capital Outlay to access the desired forms.

State funded submissions
Larry Piper, Chief of Facilities Planning, Capital Planning, Design and Construction (562) 951-4106

Financial documentation required to support non-state funded submissions
Robert Eaton, Senior Director, Financing and Treasury (562) 951-4572

Energy/Utility related issues
Len Pettis, Chief of Plant, Energy, and Utilities (562) 951-4122

Please submit all documents to Elvyra F. San Juan, Assistant Vice Chancellor, Capital Planning, Design and Construction.

We thank you and your staff for your efforts to prepare the annual capital outlay program. CPDC staff will continue to identify process changes to streamline the program production, in light of anticipated funding.

Attachment 1: Schedule of Submissions

Distribution:
Charles B. Reed, Chancellor
Presidents
Benjamin F. Quillian, Executive Vice Chancellor and Chief Financial Officer, Chancellor's Office
Robert Turnage, Assistant Vice Chancellor for Budget, Chancellor's Office
Karen Zamarripa, Assistant Vice Chancellor, Advocacy and State Relations, Chancellor's Office
Robert Eaton, Senior Director, Financing and Treasury, Chancellor's Office
Executive Facilities Officers
Physical Plant Directors
Health Center Directors
Housing Directors
Parking Directors
Student Union Directors
Building Coordinators
Energy Managers
Financing and Treasury Managers
CPDC Planners
SCHEDULE OF SUBMISSIONS & CALENDAR OF CAPITAL OUTLAY PROCESS

November 15, 2012  Board of Trustees approves Categories and Criteria.

January 10, 2013  Governor's Budget proposed for 2013/2014

January 18, 2013  State: Campuses submit Capital Improvement Program (CIP) and Capital Outlay Budget Change Proposals (COBCPs) (one paper copy and one electronic copy). For any new project proposals, submit feasibility studies and concept level studies.

January 18, 2013  Non-State: Campuses submit COBCP (one paper copy and one electronic copy) identify funding source, and provide preliminary ten-year financial plan showing operating budgets supporting the financing costs. Campus also submits the financial plan to Financing and Treasury and coordinates with F&T staff to revise the financial plan as necessary to receive F&T approval by July 1, 2013.

February 11, 2013  CPDC submits to Presidents proposed revisions to the Draft COP & CIP.

March 4, 2013  Campuses submit the Revised State & Non-State COBCP’s for Draft COP & CIP.

May 11, 2013  Campuses submit master plan map and facility legend and campus history.

May 21-22, 2013  Board of Trustees approves the Draft 2014/2015 COP & CIP.

June 1, 2013  Campuses submit the Final Capital Improvement Program (one paper copy and one electronic copy). Program should include:
- Final state and non-state COBCPs (feasibility studies optional).
- Minor Capital Outlay project proposals.
- Infrastructure Improvement project proposals.
- Final equipment lists.
- Final Financial Plan for non-state projects.
- Approval of Housing Proposal Review Committee for (if applicable)

July 1, 2013  Financing and Treasury approves campus final financial plan for projects to be funded by bonds, including auxiliary projects, for the Action Year.

August 1, 2013  CPDC submits final 2014/2015 COBCPs and equipment lists to DOF.

Summer/Fall 2013  Campus SCOPE review meetings with State Agencies.

Sept. 24-25, 2013  Board of Trustees approves Final 2014/2015 COP & CIP.

January 10, 2014  Governor’s Budget for 2014/2015 and multi-year infrastructure plan is released.

February 2014  Legislative Analyst’s Office releases analysis of the 2014/2015 budget.

March - May 2014  Legislative Committee hearings on the 2014/2015 budget.

June 2014  Campuses complete design architect selections/agreements for projects included in the Governor’s Budget.