Purpose:

The purpose of this policy is to clarify the guidelines to be followed when establishing budgets and expending funds for capital projects.

Policy Statement:

Funds that have been dedicated for capital projects are derived from a variety of sources. These sources include UA bonds, Public School and College Authority (PSCA) or state provided bonds, gifts, deferred maintenance funds, plant funds or reserve funds. The University of Alabama’s philosophy is that capital project funds should be primarily for bricks and mortar and landscaping or hard construction costs. In general, construction and contingency should represent the majority of the total project costs and be 85% or higher of the total capital project budget.

Policy:

Capital projects are long-term investment projects that require larger sums of monies to fund new construction and additions and renovations that will improve existing facilities. Capital projects may also include infrastructure projects, such as road projects, storm water drainage, utility projects, and parking lots and decks. In some cases, equipment purchases and large software purchases may also be considered capital projects. Buildings and other infrastructure projects with a total project cost greater than $750,000 must be approved by The Board of Trustees of The University of Alabama (BOT). Equipment purchases as a group for a particular project or as a single item that exceed $500,000 must also be approved by the BOT. Exceptions to the equipment rule do exist if the project is funded from grant or sponsored program funds.

Below is a synopsis of the types of budget line items that are specified for UA Capital Projects.

Construction - Initially, this budget category corresponds to the approved construction amount included in the project budget based on the estimated cost of construction per gross square foot. Prior to the receipt of bids, the total construction line indicates the maximum amount available for award of a construction contract(s); thereafter, the construction line reports the actual award amount for each contract, and shall include change order amounts as the project progresses. If the project is to be bid in more than one bid package, a budget shall be established for each in a separate bid package. The individual packages shall be described, e.g. site work, infrastructure, building contract, etc…

Site Development - This budget line is established to fund project related infrastructure needs, such as storm drainage and utility connections. This category may also be used to budget the cost to clear the site for construction.
**Contingency** - This budget item is reserved for unforeseen design and construction costs and incidental expenses. In accordance with Board Rule 415, contingency must be equal to 5% and 10% of construction and site development costs for new construction and renovations, respectively.

**Landscaping** - This budget line item covers the cost of all labor and materials necessary to install plant materials and irrigation systems. The cost to design the landscaping for a project is not charged to the project as the University has a landscape architect on staff that will prepare the design documents. Plant materials should be large enough to meet the scale of the structure. The design of the exterior landscape should appear as if it has been established for many years. All capital project landscaping projects must be approved by the Landscape and Grounds Committee.

**Architect/Engineering Fees** - The fees paid to the architect/engineer for basic and additional services (including special consultants) and reimbursable expenses are included in this budget category.

**Telecommunications and Data** - This budget line includes all costs necessary to provide telecommunication and data services. These costs include providing access to University fiber, wired and/or wireless network connectivity (including network closets, network switches, network ports, access points) and phone connections.

**Furniture, Fixtures, and Equipment** – This expense includes the costs associated with moveable furnishings and equipment and attached fixtures.

**Project Management Fees** - This fee is paid to cover the costs of a project manager to manage the project from conceptual design through final completion. A project manager may be a UA employee or an external service provider (i.e., Hoar Program Management). This fee is established at 1.5% of Construction, Site Development, and Contingency.

**Other Fees** – Examples of other fees include:

- **Testing Fees** - Costs associated with surveys, soil tests, geotechnical testing, and all construction tests to be paid by the owner, such as concrete tests & HVAC system tests. If material, some of these testing fees may be budgeted as a separate budget line.
- **Inspection Services** - Costs associated with inspections, e.g. architect/engineer's project representative, roofing inspection, and threshold inspection.
- **Impact/Environmental Fees** - The fees required to be paid to governmental agencies or other utility providers.
- **Advertising and printing** - Fees necessary to advertise the project for bid in accordance with Title 39 (Public Works Statute) and associated printing costs.
- **Commissioning** - This cost is associated with the process of verifying, in new construction, that all the subsystems for HVAC, Plumbing, Electrical, Fire/Life Safety, Building Envelopes, and Interior Systems (example laboratory units), achieve the owner's project requirements as intended by the building owner and as designed by the building architects and engineers. Building commissioning is a quality-focused process necessary for both non-complex and complex modern construction projects. Normally the initial commissioning team and a team leader (typically known as the commissioning authority) are involved from
project initiation through one year of occupancy. If the expense is large enough, commissioning could be a separate budget line item.

As noted above, a large majority of University capital projects are funded through the issuance of UA bonds. In general, the period of repayment on the bond proceeds is for 30 years. Therefore, as the capital project budget is prepared, construction project managers and users should be mindful of the length of time required to pay off the project. A general rule of thumb to apply when developing a capital project budget is that if the finished building could be picked up and turned upside down, then whatever falls out should not be charged to the capital budget. The reason for this philosophy is that it is not cost effective to fund an item that may have a useful life of only 3 to 5 years with monies that cannot be paid off until 30 years have passed. The majority of expenses for a capital project should be for services necessary to construct the facility, actual bricks and mortar, and other interior finishes that are attached. Exceptions to this general rule would be furniture and equipment that are needed to place the building in service. For example, a classroom building would require tables, chairs, desks, podiums, and other items to furnish the building. However, purchasing several computers for a computer lab would be more efficiently accomplished through other funding sources than a capital project based on a computer’s useful life.

**Project Completion:**

Upon completion of a project, any unused funds will be returned to the originating source. Users cannot use the capital project budget to fund operating expenses.