CHAPTER 4

SPECIAL PROCEDURES IN ESTABLISHING AND REVISING PROJECTS

Some procedures and requirements are applicable to only certain types of projects. These procedures and the circumstances under which they are applicable are discussed below.

Phase I and Phase II Procedures for Construction and Renovation Projects

The Joint Bond Review Committee (JBRC) established a policy in November 2007 which governs the establishment and revision of most permanent improvement projects. Because all projects must be reviewed by JBRC before they are submitted to the Budget and Control Board for approval, the policy has also become a policy of the Board de facto. Under the policy, permanent improvement project requests for construction or renovation work are approved by JBRC in two phases.

In Phase I, JBRC will approve project establishment requests for pre-design and limited design services only. In Phase II, the Committee will approve funds for complete design and construction or renovation after a project has been established for the pre-design and limited design services, the services have been completed, and the project scope and cost estimates have been established. Approval of the Phase I pre-design project does not guarantee approval of the Phase II project or construction budget, for which JBRC will expect the need to be fully described and justified. This policy resulted from JBRC's increasing concerns about cost overruns and scope changes to projects, resulting in numerous budget increases. Completion of the Phase I pre-design services is a necessary condition of establishing the Phase II full design and construction budget. Requests for approval of Phase I services must include all costs for Phase I. The specifics of the policy are discussed in more detail below and the policy is included as Appendix G.

Phase I Pre-Design Projects

All construction and renovation projects must first be established for pre-design and limited design services before the full design and construction budget can be established. During the pre-design phase, design will generally be completed through the schematic design phase in order to establish the project scope and get a concept design and good cost estimate. The phase I pre-design includes programming services, space schematics, existing facility surveys, site analysis and design services through concept design and is covered in detail in Appendix G.

The budget for a pre-design phase of a project should be determined using the internal projected cost of the project. The amount of the budget for pre-design should be determined by multiplying 1.5% (15% of 10%) by the internal projected cost of the project. This percentage and the resulting budget will accommodate all pre-design work defined in the November 2007 policy, including any additional pre-design work required for buildings that must comply with green building requirements and any geotechnical studies that may be needed. Any request to establish a pre-design project for an amount exceeding 1.5% of the internal projected cost of the project must be accompanied by a statement detailing why the proposed pre-design budget exceeds the guideline and the reasons for the budget amount above the 1.5%.

One factor that might require exceeding the 1.5% guideline is implementation of a recent JBRC policy requiring any agency using LEED certification as a conservation measure to submit the findings of a cost-benefit analysis showing the anticipated energy savings over the life of the project when submitting the phase II construction budget (see below). In order to meet this requirement, the agency will have to include a cost-benefit analysis for LEED certification as part of its Phase I pre-design project for those projects for which it is required or desired. The pre-design budget should be sufficient to cover this cost for eligible construction and renovation projects. If it is not sufficient and the pre-design budget exceeds 1.5% of the internal estimated cost, the agency should include a statement on the A-1 form for pre-design stating the percentage is exceeded due to the LEED cost-benefit analysis.

The type of project and method of construction also impacts the cost and amount of pre-design work to be done prior to the Phase II construction submittal. Renovations to building systems might not require all aspects of the Phase I pre-design work. The type of construction method used, such as design build, might also impact the amount of pre-design work to be done. While the pre-design requirements might vary by project and require some flexibility, all projects requiring JBRC and Budget and Control Board approval must be established for pre-design.

Phase II Full Design and Construction

The Phase II full design and construction submittal is a request for approval to acquire professional services to prepare complete design and construction documents and to acquire construction. The request must be supported by a complete program statement, a statement of the scope of work, concept design documents, an estimate of the cost prepared by a party independent of the agency/institution, projected date for the execution of the construction contract, projected date for completion of construction and all other information required on the A-1 and A-49 forms.

At the time of the construction budget submittal, the agency/institution will be expected to complete execution of the construction contract by the projected date designated. If the construction contract is not in place by the projected date, the agency/institution must report to the Joint Bond Review Committee the reason(s) the contract is not in place and the projected impact the delay will have on the project's costs and funding. In the event of a protest of the successful bid, the requirement to complete a construction contract by the projected date is suspended until the protest is resolved. The agency should notify the Capital Budgeting Unit in the event of a protest. The Capital Budgeting Unit will follow up on the projected dates monthly for the Joint Bond Review Committee and report them to the Committee.

When addressing energy conservation measures, as required by JBRC policy for a Phase II construction budget, any agency using LEED certification as a conservation measure must submit the findings of a cost-benefit analysis showing the anticipated energy savings over the life of the project when submitting the Phase II construction budget (see below). Projects not using LEED certification must include with the Phase II submittal a statement on the energy savings and conservation measures that will be incorporated into the project. These may include, but are not limited to, energy efficient lighting, HVAC and controls, energy efficient windows, low flow water fixtures, reflective roofs, and similar measures.

Projects Using Leadership in Energy and Environmental Design (LEED) Certification

With the submission of the construction budget of any project using LEED certification as a conservation measure, the findings of a cost-benefit analysis must be submitted along with the A-1. In order to meet this requirement, the agency will have to include a cost-benefit analysis for LEED certification as part of its Phase I pre-design project for those projects for which LEED certification is required or desired. Agencies should ensure the pre-design budget is sufficient to cover this cost for eligible construction and renovation projects. If it is not and the pre-design budget exceeds 1.5% of the internal estimated cost, a statement should be included on the A-1 for pre-design stating the percentage is exceeded due to the LEED cost-benefit analysis.

The cost-benefit analysis must be submitted with the A-1 establishing the construction budget for any project which will be LEED certified. The cost-benefit analysis does not need to be long, one or two pages are sufficient, and it should clearly summarize the estimated costs associated with LEED certification and the estimated life-cycle savings over a 30-year period or the life of the building associated with LEED certification. The costs can be broken down by types of LEED measures, including sustainable sites, water efficiency, energy and atmosphere, materials and resources, and indoor air quality, and the savings can be broken down by types of savings, including utilities and other savings. The analysis should clearly show the cost of LEED certification and the anticipated savings expected to result from it. The cost benefit is the cost of LEED certification minus the anticipated savings expected to result from it. The agency should maintain the information used to derive the cost-benefit analysis in the event additional information is requested, but a summary is all that is required for submission with the A-1 form.

Special Procedures by Funding Source

Some procedures and requirements are applicable to certain projects based on the funding source or sources used. Specific requirements for projects funded with capital improvement bond funds and contingency revolving funds are discussed below.

Capital Improvement Bond Funds - Section 2-47-35 of the Code of Laws specifies that no project authorized for any capital improvement bond funding can be implemented until funds are made available and until the Joint Bond Review Committee, in consultation with the Budget and Control Board, establishes priorities for funding the projects. To comply with this law, a schedule for the spend-out of bond funds may be prepared every six months for periods running from July through December and January through June. These periods are known as priority groups.

The priority group release schedule specifies the amount of authorized bond funds available for draw for each six-month period. This schedule is approved by JBRC and the Board prior to the release of any bond funds for "new start" projects in each priority group. Unless advised to the contrary, the "trailing draws" for a new start project (the draws in subsequent periods) are considered available in the periods scheduled without further JBRC or Board action, but are still subject to rescheduling every six months.

Because of the law requiring JBRC and the Board to establish funding priorities for capital improvement bond (CIB) funds, no agency can establish a project using CIB funds until the project has been approved as a "new start" project for a specific priority group release period. For example, if a project, authorized funds in 2000, is scheduled as a "new start" project for Priority Group 49 (July-December 2006), an A-1 form to establish the project cannot be processed by the Capital Budgeting Unit until the release schedule for Priority Group 49 has been approved by JBRC and the Board. (**Note:** Because there has been no bond bill since 2000 and all bond authorizations have received their “new start” authority, there will be no “new start” projects until a new bond bill is passed. Further, the priority group release schedule, known as the bond draw schedule, has been suspended and will not be required again until a new bond bill is passed.)

Contingency Revolving Fund - The Contingency Revolving Fund is a special source of capital improvement bond funds to be used to finance emergency permanent improvement repair and replacement projects. All agencies, with the exception of the institutions of higher education and the Departments of Mental Health and Disabilities and Special Needs, can request funds from this account. Unanimous approval by JBRC and the Board is required for agencies to use contingency revolving funds.

To request the use of contingency revolving funds, an A-1 form should be submitted simultaneously to the Joint Bond Review Committee and to the Budget and Control Board through the Capital Budgeting Unit. The form must justify the emergency situation, indicate the need to address the problem in a timely manner, and state that no other funding source is available to meet the emergency need. If the request to use contingency revolving funds is unanimously approved by JBRC, the Capital Budgeting Unit presents the request to the Budget and Control Board at its next scheduled meeting.

Budget Transfers Between Projects

When an agency requests transferring funds between projects, it should ensure that sufficient funds remain in the project from which the funds are to be transferred. Prior to submitting A-1 forms to transfer funds between projects, the agency should check the most recent SPIRS month-end report to ensure that the remaining balance in the project being decreased is sufficient to allow the transfer to take place. Further, if the source of funds to be transferred is capital improvement bonds, institution bonds, revenue bonds, excess debt service or capital reserve funds, the agency should check the most recent State Treasurer's monthly Debt Management System report to determine if the available balance is adequate to allow the transfer to take place. If inconsistencies exist between the balances on either of these two reports and the agency's balances, the discrepancies must be cleared before the A-1 forms are submitted to transfer funds.

Project Close-outs

All projects must be closed by submitting an A-1 form to close it. In order to close-out a project and remove the project from the SPIRS system, the project balance must also be zero. This means that the final project budget at close-out must equal the final expenditure amount on the project. Several procedures may be necessary to zero out a project balance at close-out and reconcile expenditure amounts with other offices involved with the project.

SPIRS System Expenditures - Expenditures on the SPIRS system may not be accurate if the agency has made an error on a voucher or if a voucher is keyed inaccurately. Prior year expenditures can be corrected on the SPIRS system by making a written request to the Capital Budgeting Unit, including the project number, the amount of the adjustment, the source of funds to be adjusted or appropriate expenditure subfund number, and the expenditure object code(s) (0700 object code) to be increased or decreased. Current year expenditures can only be adjusted by journal voucher through the Comptroller General's Office and/or SCEIS system or by posting the expenditure adjustment through electronic medium for the higher education institutions.

To ensure that all expenditures are accurately reported on the SPIRS system, projects should not be closed until at least 60 days after the last expenditure voucher is submitted for payment. In addition, reconciling agency expenditures each month with the SPIRS reports and correcting errors as they are found will ensure project expenditures are accurate and will speed project close-outs.

Budget Increase or Decrease - If project expenditures are accurate on the SPIRS system, a project action on the A-1 form, in addition to closing the project, may be necessary to increase or decrease the project budget in order to zero out the project balance. A budget decrease should be requested if there is a positive project balance. A budget increase should be requested if there is a budget overdraft in the project.

Reconciling with State Treasurer's Balances - If the budget for the project to be closed includes any type of bond funds, excess debt service, or capital reserve funds, a review of the State Treasurer's balances may be necessary. For a project whose budget is being decreased and/or funds transferred to another project, the State Treasurer's Debt Management System must show that sufficient funds remain to be drawn from that project so that the project budget can be decreased and/or those funds transferred.

Emergency Procurements

When an emergency procurement would, under normal circumstances, result in a permanent improvement project, an A-1 form to establish the project should be submitted as soon as practicable after declaring the emergency. While it is understood that some permanent improvement projects must be initiated quickly under emergency procurement procedures, these projects must still be approved by the Joint Bond Review Committee and the Budget and Control Board or their respective staffs.

Construction-Related Gifts

Construction-related gifts valued at $100,000 or more must be established as permanent improvement projects, using the A-1 form. Procedures for construction-related gifts vary depending on the value of the gift.

Each state agency and institution may accept gifts-in-kind for architectural and engineering services and construction of a value less than $250,000 with the approval of the Commission on Higher Education or its designated staff (for higher education institutions), the Director of the Procurement Services Division of the Budget and Control Board, and the research director of the Joint Bond Review Committee. No other approvals or procedural requirements, including the provisions of Section 11-35-10, may be imposed on the acceptance of such gifts. To request approval of a gift of design services or construction less than $250,000, the agency or institution should complete and submit an A-1 form to the Capital Budgeting Unit describing the gift, the value of the gift which becomes the project budget, the donor, and the reason for the gift. A copy of the written agreement with the donor, signed by both parties, should be attached. Higher education institutions should submit the A-1 as usual through the Commission on Higher Education which will forward the request, along with its approval, to the Capital Budgeting Unit. The A-1 should also be accompanied by an A-49 form to show any additional annual operating costs or savings that will result from the gift. The gift request will be forwarded by Capital Budgeting to the Procurement Services Division director and the research director of the Joint Bond Review Committee for their required approval and then will be signed by the Board's designated representative when all approvals are received.

To request approval to accept a gift of architectural and engineering services and construction of a value more than $250,000, the agency or institution should also complete and submit an A-1 form to the

Capital Budgeting Unit describing the gift, the value of the gift which becomes the project budget, the donor and the reason for the gift. A copy of the written agreement with the donor, signed by both parties, should be attached. The A-1 should also be accompanied by an A-49 form to show any additional annual operating costs or savings that will result from the gift. Higher education institutions should submit the A-1 form as usual through the Commission on Higher Education which will forward to request to the Capital Budgeting Unit. The gift request will be forwarded by Capital Budgeting to the Joint Bond Review Committee and Budget and Control Board for approval, as they do with any project request of $250,000 or more. The A-1 will then be signed by the Board's designated representative after JBRC and Board approvals are received.