

<b>System-wide Policy:</b> <b>BT0032 - Policy on Capital Project Planning and Approvals</b>	
<b>Version: 1</b>	<b>Effective Date: 06/30/2023</b>

**BOARD OF TRUSTEES**  
**POLICY ON CAPITAL PROJECT PLANNING AND APPROVALS**

**I. PURPOSE**

As the governing body of The University of Tennessee (the “University”), the Board of Trustees (the “Board”) has been vested with broad authority and oversight responsibility for the proper governance of the University. These responsibilities include ensuring the University’s fiscal stability, exercising control over the University funds, and preserving and protecting University assets.

This policy sets forth a framework for establishing a coordinated, long-range capital improvement program through which capital projects are to be developed and approved in support of the University’s mission, which considers the overarching needs and priorities of the entire University system.

**II. DEFINITIONS**

For purposes of this policy, capitalized terms used herein shall have the meanings as set forth in Appendix A.

**III. APPLICABILITY**

This policy applies to: (i) capital planning and capital funding requests; (ii) the acquisition of any interest in real property, (iii) the construction, renovation, or maintenance of facilities and other physical assets on property owned or controlled by the University, (iv) leases and licenses of real property interests; and (v) the sale and disposition of real property as provided herein.

**IV. SCOPE OF AUTHORITY**

Subject to state approvals as may otherwise be applicable, the Board’s powers and responsibilities as set forth in the University’s Bylaws include the following:

- Approval of proposed capital funding requests for state funding prior to their submission to state agencies and/or officials.
- Approval of Capital Projects and Capital Improvements, including renovation and maintenance, to be funded by revenues or other institutional funds not specifically appropriated by the state.
- Authority to borrow money for the purpose of erecting buildings, purchasing real estate, or cooperating with agencies of the United States and to issue evidences of indebtedness for those purposes.

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- Approval of a facilities master plan for each campus and institute.
- Approval of the acquisition of any interest in real property, including acquisition by gift or devise if the acquisition obligates the University or the State of Tennessee to expend state funds for Capital Improvements or continuing operating expenditures.
- Approval of the sale or other disposal of real property owned by the University.
- Approval of the naming of facilities and other assets of the University.

Additionally, under state law, the Board has been granted the authority to approve and supervise a Capital Project if: (i) the project is managed by the UT System Department of Capital Projects (the “Department”); (ii) the project involves a building or facility used primarily for non-academic purposes; and (iii) the project is either fully funded by Gifts received by Donors or revenue from self-supporting Auxiliary Projects, including projects financed with Debt, or both.

## V. GUIDING PRINCIPLES

The University’s real estate strategy is grounded in supporting the University’s mission of education, discovery, and outreach that recognizes its long-term vision and fiscal responsibility to the people of the State of Tennessee.

A comprehensive program of facilities planning, capital budgeting and project development, and facilities operation and maintenance is essential for the University to effectively serve students, faculty, staff, and other University constituencies.

Capital Projects for the creation, renovation, renewal, remodeling, and adaptation of buildings, outdoor spaces, other support spaces, or supporting infrastructure shall be developed and justified through a planning process that considers total cost of ownerships and program delivery. Projects shall be professionally designed and managed; optimal utilization of existing space emphasized; and existing facilities maintained in a manner that is cost effective, extending their useful lives.

The administration shall develop and present to the Board for adoption, a master plan for each campus to provide an integrated framework for investment decisions that will ensure adequate facilities to support implementation of the strategic plans for the University system and its campuses. The use and stewardship of University property and facilities shall be consistent with the master plan for each campus.

The University will prioritize properties for acquisition if a specific, mission-supporting use has been identified for the property long-term. The University will also consider the financial impacts of holding property, including minimizing the University's long-term financial liability

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in order to minimize capital and operating costs of the property until it is developed for the University's mission-supporting use.

Dispositions of property may occur when it is determined that the property is no longer required to fulfill the University's mission, the disposition better meets the University's needs, or is otherwise appropriate in light of the particular circumstances.

## **VI. APPROVALS AND DELEGATIONS OF AUTHORITY**

In the interest of operational efficiency of the University, the authority to approve or act on certain types of transactions are deemed best exercised by the Executive Committee of the Board, the President of the University, and other designees as specified in Appendix B.

## **VII. ADMINISTRATION RESPONSIBILITIES**

The Department shall be responsible for supporting the University with the planning and administration of capital improvement programs including the following services:

- Development of facilities programs and Capital Project budgets;
- Development of capital funding requests;
- Administration of the design and construction of Capital Projects; and
- Leadership of special facilities planning and Capital Projects.

Additionally, the Department, subject to review and approval by the Chief Financial Officer, shall be responsible for the development of written policies, procedures, and other guidance (collectively, "Administrative Procedures") as deemed necessary and appropriate for ensuring the University's compliance with the requirements of this Board policy and all applicable state laws, rules, and regulations. When preparing the Administrative Procedures, the Department shall take into account factors that include: (i) the level of design and planning services; (ii) the costs to be incurred prior to budget development; (iii) the nature of the ownership (i.e., owned, leased, public-private partnerships, etc.).

Where state form agreements are not otherwise required, the Department, in consultation with the Office of General Counsel, shall be responsible for (i) developing any other standard form agreements as may be appropriate for use by the University to ensure compliance with the terms of this policy and with applicable state laws, rules, and regulations, and (ii) approving any modifications to the approved standard form agreements. Guidance regarding the review and approval of any third-party agreements shall be set forth in the Administrative Procedures.

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**VIII. ADDITIONAL APPROVALS**

Nothing contained herein shall in any way be construed to be inconsistent with or in substitution of any state approvals that may otherwise be required.

**IX. REPORTS**

The Department shall be responsible for preparing periodic reports pertaining to Capital Projects and other real property transactions as deemed appropriate by the Finance and Administration Committee. Additionally, the Department shall be responsible for filing with state agencies as may be required.

**X. WAIVER**

Notwithstanding the foregoing, the Board of Trustees or its Executive Committee, in its sole and absolute discretion, shall have the authority to waive any provision of this policy on a case-by-case basis, as may be deemed appropriate under the circumstances.

**RELATED POLICIES**

Board Policy (BT0016) – Policy on Related Foundations

Board Policy (BT0017) – Policy on Naming of Facilities and Other Assets

History:

Adopted	06/30/2023
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## APPENDIX A - DEFINITIONS

**Auxiliary Project** - means a **Capital Project** funded with revenues generated from self-supporting enterprises which furnish services to students, faculty, and staff (e.g., housing, bookstores, food service, and athletics).

**Commission** - means the Tennessee State Building Commission.

**Debt** - means any bonds, notes or other evidences of indebtedness issued by **TSSBA** on behalf of the **University** or other borrowings by the **University**, subject to the prior approval of **TSSBA**, for the purpose of financing or refinancing a **Capital Project**.

**Donor(s)** - means an individual, a group of individuals (e.g., family members), a foundation, a corporation, or any other entity that makes a **Gift**.

**Gift** - means a voluntary, non-reciprocal charitable contribution made by **Donor(s)** to or for the use of the **University**, whether made directly to the **University** or indirectly through a **Related Foundation**.

**Gift Project** - means a **Capital Project** funded through **Gifts** received from **Donor(s)**.

**Public-Private Partnerships (P3) Projects** - generally involve collaboration between the University and a private-sector company to finance, build, and/or operate Capital Projects. Financing a Capital Project through a public-private partnership may allow a project to be completed sooner or make it a possibility in the first place.

**Related Foundations** - means the supporting foundations identified in the Board's Policy on Related Foundations, as such policy may be amended from time to time.

**Revenue/Institutionally Funded Capital Improvement Project** - means a project that meets the definition of a **Capital Improvement** not funded through a state appropriation request.

**Revenue/Institutionally Funded Capital Maintenance Project** - means a project that meets the definition of **Capital Maintenance** not funded through a state appropriation request.

**TSSBA** - means the Tennessee State School Bond Authority.

**University** - means The University of Tennessee, including all of its components (i.e., system administration, campuses, and institutes).

Additionally, the following defined terms, including others referenced in such definitions, shall have the meanings ascribed by Commission policy, as may be amended and updated from time to time, which definitions may be found at: <https://capitalprojects.tennessee.edu/policy-procedures/>:

- **Capital Improvement**
- **Capital Maintenance**
- **Capital Project**
- **Renovation**
- **Total Project Cost**

## Appendix B - Delegations of Authority for Real Property and Capital Project Matters

TRANSACTION TYPE	BOARD OF TRUSTEES <sup>1</sup>	PRESIDENT	SUB-DELEGATIONS AT PRESIDENT'S DISCRETION
Campus Master Plans	X - including updates	X - for amendments	
Capital Outlay Funding Requests <sup>2</sup>	X		
Capital Maintenance Funding Requests <sup>2</sup>	X		
Capital Demolition Funding Requests <sup>2</sup>	X		
Capital Projects funded in whole or in-part with Debt	X		
Revenue/Institutionally Funded Capital Projects <sup>3</sup>	Over \$10 million	Over \$1 million, up to \$10 million	\$1 million or less
Auxiliary and Gift Projects (non-academic) <sup>3</sup>	Over \$10 million	Over \$1 million, up to \$10 million	\$1 million or less
<b>Real Property Leases and Licenses:</b>			
<ul style="list-style-type: none"> <li>University as Landlord/Lessor</li> </ul>	Term <sup>4</sup> is for more than 5 years; or payments in excess of \$10 million	Term <sup>4</sup> is for 5 years or less; or payments in excess of \$1 million and up to \$10 million	Term <sup>4</sup> is for 1 year or less or payments equal to \$1 million or less/per year
<ul style="list-style-type: none"> <li>University as Tenant/Lessee</li> </ul>	Financial commitment over \$10 million <sup>5</sup>	Financial commitment over \$1 million, up to \$10 million	Financial commitment \$1 million or less
Public-Private Partnerships (P3) Projects	Approval of final agreement terms	Approval prior to issuance of Request for Proposals (RFP)	
<b>Acquisition of Real Property:</b>			
<ul style="list-style-type: none"> <li>Consistent with Campus Master Plan(s)</li> </ul>	Over \$10 million; or acquisition price exceeds appraised value	Over \$1 million, up to \$10 million <sup>6</sup>	Up to \$1 million <sup>6</sup>
<ul style="list-style-type: none"> <li>Not contemplated by Campus Master Plan(s)</li> </ul>	X		
<ul style="list-style-type: none"> <li>By Gift/Devise</li> </ul>	If the property is subject to a conservation easement or reversionary interest	President shall approve projected operating and capital costs relating to the property. President may transfer ownership from the University to a Related Foundation.	At the discretion of the President
<ul style="list-style-type: none"> <li>By Eminent Domain</li> </ul>	X		
Sale or disposition of real property owned by the University	X		

<sup>1</sup> In general, all recommendations for Board approval are to be first considered by the Finance and Administration Committee of the Board. The Executive Committee may act on behalf of the Board on any matter when necessary between meetings of the Board.

<sup>2</sup> A request for state appropriation funding.

<sup>3</sup> Including Capital Improvement, Renovation, and/or Maintenance.

<sup>4</sup> Including any renewal terms provided therein or subsequently agreed upon.

<sup>5</sup> Means the aggregate financial commitment for the term of the proposed arrangement (including any optional renewals thereto), which shall include base payments, improvements, maintenance, and any other financial obligations to be paid by the University associated with the lease/license.

<sup>6</sup> Acquisition price must be at or below appraised value.

## Appendix B - Delegations of Authority for Real Property and Capital Project Matters

### Changes in Capital Project Budget.

#### ➤ Board Approval.

- If the cumulative budget increase(s) for a Capital Project result in the aggregate Total Project Cost being in excess of \$10 million, the proposed budget increase must be approved by the Board.
- If the cumulative budget increase(s) for a Capital Project approved by the Board exceed \$10 million or fifteen percent (15%) of the initial approved budget.
- Any increase in Debt must be approved by the Board.

#### ➤ President Approval.

- If the cumulative budget increase(s) for a Capital Project result in the aggregate Total Project Cost being in excess of \$1 million, the proposed budget increase must be approved by the President.
- Except as reserved to the Board above, the President shall have the authority to approve any budget increases for a Capital Project that are in excess of 15% of the original budget.

Notwithstanding the foregoing, any increase in a capital budget shall be subject to available funding.

**Changes in State Funding Priorities.** The Board authorizes the President to reprioritize state funding requests (capital outlay, maintenance, and demolition) as may be appropriate in response to changes in direction, recommendations, or other guidance provided by state agencies and/or officials.

**Awarding of Contracts.** The UT System Department of Capital Projects is authorized to award contracts for design and construction and incur other costs on a Capital Project consistent with the budget approvals specified herein, available funding, and subject to such other requirements as may be specified by Board resolution or state law.

**Exigent Circumstances.** If an emergency (such as damage or destruction resulting from fire, flood, or explosion) compels immediate action involving construction so that waiting to obtain Board of Trustees or Executive Committee approval would jeopardize, for example, the safety, security, or viability of a building or increase the later cost of restoration or replacement, the President or the Chief Financial Officer (if the President is unavailable) is authorized to undertake and continue to implement measures to secure the building and to remediate the damage or destruction arising from the emergency, and to approve work necessary in light of the circumstances, even though no Board approvals for that project have been obtained. In such a situation, the President or Chief Financial Officer shall follow the notification process described below.

**Notification Process.** Upon the occurrence of an emergency requiring immediate construction planning and implementation or upon the discovery of an exigent circumstance that is likely to result in total construction project expenses exceeding the approved budget thresholds applicable to the President, the President or the Chief Financial Officer (if the President is unavailable) will inform the Chair of the Board and Chair of the Finance and Administration Committee of the situation, provide information about the emergency or the exigent circumstances, identify the project costs (as known at the time), and identify the planned source of funding for the new or additional costs. As soon as reasonable thereafter, the Chief Financial Officer will prepare a written memorandum a description of the circumstances precipitating the costs and necessary action, which will be provided to the Finance and Administration Committee no later than the next scheduled meeting. Once final costs are determined, a project budget for emergency construction or an amended project budget reflecting additional work on an approved Capital Project due to exigent circumstances will be presented for approval, as applicable.