

UNIVERSITY OF CALIFORNIA

BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE • SAN DIEGO • SAN FRANCISCO



SANTA BARBARA • SANTA CRUZ

OFFICE OF THE PRESIDENT

Robert C. Dynes
President

1111 Franklin Street
Oakland, CA 94607-5200
Phone: (510) 987-9074
Fax: (510) 987-9086
<http://www.ucop.edu>

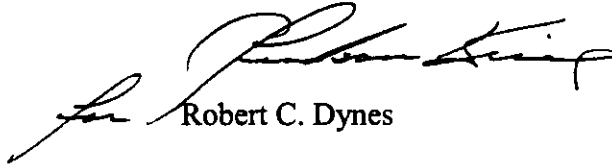
December 18, 2003

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

Enclosed for your information is the Major Capital Projects Implementation Report for Fiscal year 2002-03. The report describes the aggregate status of major capital projects underway at the end of the 2002-03 fiscal year and summarizes management initiatives and market conditions affecting project implementation.

If you have any questions about the report, please contact Senior Vice President Mullinix.

Sincerely,



for Robert C. Dynes

Enclosure

cc: Chancellors

MAJOR CAPITAL PROJECTS IMPLEMENTATION REPORT, 2002-03 FISCAL YEAR

Introduction

The Major Capital Projects Implementation Report, first presented in 1991, measures project delivery performance and identifies trends. This report describes the aggregate status of major capital projects underway at the end of fiscal year 2002-03, and summarizes management initiatives and market conditions affecting project implementation.

The University's ability to successfully implement its capital program depends on numerous factors. Factors within University control include project management and delivery strategies, academic program changes, and budgeting/funding strategies. Factors beyond University control include the construction industry bid climate and market conditions, code changes, requirements of State and other funding sources, and weather delays. This report will also address trends in the current construction market.

It is important to note that many project budget and schedule changes are driven by circumstances intentional, necessary, and beneficial to the University's interests (for example, program changes, the logistics of multiple project phasing, and incorporation of new funding opportunities). Because this mix of factors affects project delivery, simple indicators do not fully represent the complexity of factors affecting project implementation. Nonetheless, to assess the general condition of the program, to identify trends, and to develop initiatives to improve project delivery, two indicators are monitored: 1) project budget changes and 2) project schedule changes.

Status of the Capital Program

Major University capital project activity for fiscal year 2002-03 is shown in the summary table that follows. The compilation deals only with major capital projects, those over \$400,000 project cost. All figures referring to either budget or schedule changes represent the cumulative change over a project's duration (normally exceeding four years).

Summary of Major Capital Project Activity at Fiscal Year End 2002-2003

1. Total active projects	346
2. Total amount of original budgets	\$6,862,391,000
3. Cumulative approved budget changes (adj for inflation).....	\$162,336,000
4. Total year-end budget, (adj. for inflation).....	\$7,024,727,000
5. Percent Change from Original Budget	2.4%
6. Total year-end budget (including inflation)	\$7,035,302,000
7. Projects with budget changes	74
8. Projects with schedule changes	167

Table 1 following this item provides campus level detail for the above categories. Attached Figures 1, 2 and 3 display twelve-year trends for the year-end budget totals, and for the number of active projects for each fiscal year; the percent change in project budgets (net changes divided by total amount of original budgets); and the percentage of projects with schedule changes.

From fiscal year 2001-02 to fiscal year 2002-03, the number of active projects decreased by 16, from 362 to 346. During this time, 55 projects with budgets totaling \$771,865,000 filed Notices of Completion, while the total value of projects in design and construction (approved budgets) increased by a net of \$91 million, from \$6.933 billion to \$7.024 billion (Figure 1). Projects related to enrollment growth, including housing, continue to be reflected in the projects in the program. Seismic improvements and renovation projects continue to represent a major component of the capital program.

The twelve-year trend in the percentage of the net cost of project budget augmentations shows an overall reduction from 6% in fiscal year 1990-91 to 2.4% in fiscal year 2002-03 (Figure 2). From fiscal year 2001-02 to fiscal year 2002-03, the percentage of net project budget augmentations decreased from 2.8% to 2.4%; 51 projects received budget increases and 23 projects received budget decreases. The percentage of projects with schedule changes increased to 48% from 41% between 2001-02 and 2002-03 (Figure 3).

Conditions in the Construction Market place

In 2002-03, growth in the California economy moderated again in comparison to the previous year. Housing construction remains strong, however, driven by pent up demand and declining mortgage interest rates. The California construction marketplace continues to exhibit contradictory valuation trends in housing and commercial construction markets. According to the California Department of Finance, the value of housing construction underway in California in June 2003 was up 25% compared to June 2002 to an annual rate of \$442 billion, while the value of commercial construction underway in June 2003 declined 4%, following the 22% annual contraction measured in June 2002. In general, cost pressures on UC projects remained moderate except for housing construction.

Initiatives Related to Cost Management and Project Delivery

The scale of the University's capital program and student enrollment increases continue to challenge the University to improve short- and long-range planning and implementation processes.

In June 2003, The Regents approved a Green Buildings and Clean Energy policy to guide all UC capital projects starting with projects whose budgets are approved in the 2004-2005 fiscal year. This policy addresses energy efficiency and sustainable design and construction practices, as well as programs to minimize increased use of non-renewable energy for the University's built environment during this next decade of growth.

The Regents Committee on Grounds and Buildings continues to focus its attention on long-term planning, urban design, and development issues. The Irvine, San Diego, Santa Barbara campuses presented and discussed their visions for guiding long-term campus physical development, which will be followed by other campuses in turn through Summer 2004. Work also continues at the campuses on updates to Long Range Development Plans (LRDP), with the updated LRDP for the Davis campus approved in November 2003.

In addition, during 2002-03 the University:

- Continued to respond to the ongoing effects of the energy crisis with initiatives to conserve energy, including participation in a statewide demand reduction program and planning for additional co-generation capacity at Irvine. Substantial new Thermal Energy Storage (TES) projects were completed at Los Angeles and Riverside. Berkeley has installed a photovoltaic array on the roof of the Martin Luther King Student Union building, and Riverside is in the process of installing a photovoltaic array shading the corporation yard parking area.
- Continued to address student housing needs through expansion of housing bed count, adding approximately 1,800 beds by Fall 2002, and another 3,300 additional beds by Fall 2003.
- Continued construction of the new campus in Merced, scheduled to begin classes in the Fall of 2005.
- Continued to support the development of campus project management capabilities by expanding the range, scope, and frequency of training programs and courses for campus personnel through the UC Project Management Institute, which served 549 attendees with 13 programs during 2002-03. The range of topics has been expanded to include invited forums on specific building types (hospitals, laboratories, and research park developments) and specialized presentations on construction law, contract law, and approved UC project delivery methods.
- Expanded use of alternative project delivery methods such as Construction Management at Risk (CM @ Risk) and Design/Build during FY 2002-2003. CM @ Risk, in particular, is being used by a majority of the campuses on a wide variety of projects types including sophisticated laboratory buildings, classroom buildings, and housing.

Summary

The University's dollar value of active projects increased during 2002-2003 by a net of \$91 million. Between 1994-95 and 2002-03, the percentage of projects with schedule changes decreased from 60% to 48% this past year. The percentage of net budget augmentations have decreased from 6% in 1990-91 to 2.4% this past year.

During the 2002-2003 fiscal year, the University began to experience relief from rising construction costs in some markets (although not in all locations). While the construction industry remains strong in the housing sector, flat economic growth continues to moderate increases in many non-housing construction costs.

Campus financial and staff resources continue to be challenged by the scale and complexity of a capital program of \$7.035 billion. Meeting this challenge requires continuous development of the University's project management capability to effectively manage complex University projects in this uncertain economic environment.

Attachments

Table 1

Figures 1, 2, 3

Table 1

Attachment

UNIVERSITY OF CALIFORNIA
MAJOR CAPITAL PROJECT SUMMARY
2002-2003

CUMULATIVE CHANGES TO BUDGET AND SCHEDULE SINCE PROJECT APPROVAL BY REGENTS

	1	2	3	4	5	6	7	8	9
	Active Projects	Original Budget (\$000's)	Budget at End of 02-03 (\$000's)	Inflation Adjusted Budget 02-03 (\$000's)	Total # with Budget Changes	Changes to Original Budget (\$000's)	% Change from Original Budget	# with Schedule Changes	% with Schedule Change
BERKELEY	55	764,694	787,074	785,348	8	20,654	2.7%	18	32.7%
DAVIS	58	972,248	984,911	980,711	14	8,463	0.9%	27	46.6%
IRVINE	23	772,823	795,704	795,704	3	22,881	3.0%	9	39.1%
LOS ANGELES	50	1,966,921	2,011,037	2,010,183	15	43,262	2.2%	28	56.0%
MERCED	9	269,773	275,712	275,712	3	5,939	2.2%	2	22.2%
RIVERSIDE	15	207,612	208,247	204,529	8	(3,083)	(1.5%)	8	53.3%
SAN DIEGO	48	691,145	731,623	731,811	11	40,466	5.9%	27	56.3%
SAN FRANCISCO	46	507,609	506,512	506,512	3	(1,097)	(0.2%)	30	65.2%
SANTA BARBARA	24	451,685	461,622	461,557	6	9,872	2.2%	5	20.8%
SANTA CRUZ	16	253,595	268,574	268,574	3	14,979	5.9%	11	68.8%
DANR	2	4,286	4,286	4,286	0	0	0.0%	2	100.0%
OP	0	0	0	0	0	0	0.0%	0	0.0%
	346	6,862,391	7,035,302	7,024,727	74	162,336	2.4%	167	48.3%
			<i>Inflation Adjustments:</i>	<i>10,575</i>					
BUDGET CHANGES									
Reduced					23	(41,679)			
Increased					51	204,015			
SCHEDULE									
On schedule								179	
Schedule Changed								167	
STATE	66	2,359,013	2,418,434	2,407,859					
NON-STATE	280	4,503,378	4,616,868	4,616,868					
TOTALS	346	6,862,391	7,035,302	7,024,727	74	162,336	2.4%	167	48.3%

(1) Active Projects: Projects with budgets exceeding \$400,000 on which funds were expended in 2002-2003 and had not been completed by June 30, 2002.

(2) Original Budget: The sum of the original budgets for the active projects approved by The Regents.

(3) Budget at End of 2002-2003: The sum of the project budgets at year end. This figure includes all increases and decreases made to the original budget since its approval.

(4) Budget with inflation removed for state funded projects. Value of inflation adjustments shown in italics.

(5) Total # with Budget Changes: How many of the active projects have had budget changes (increases or decreases) over the life of the project to date?

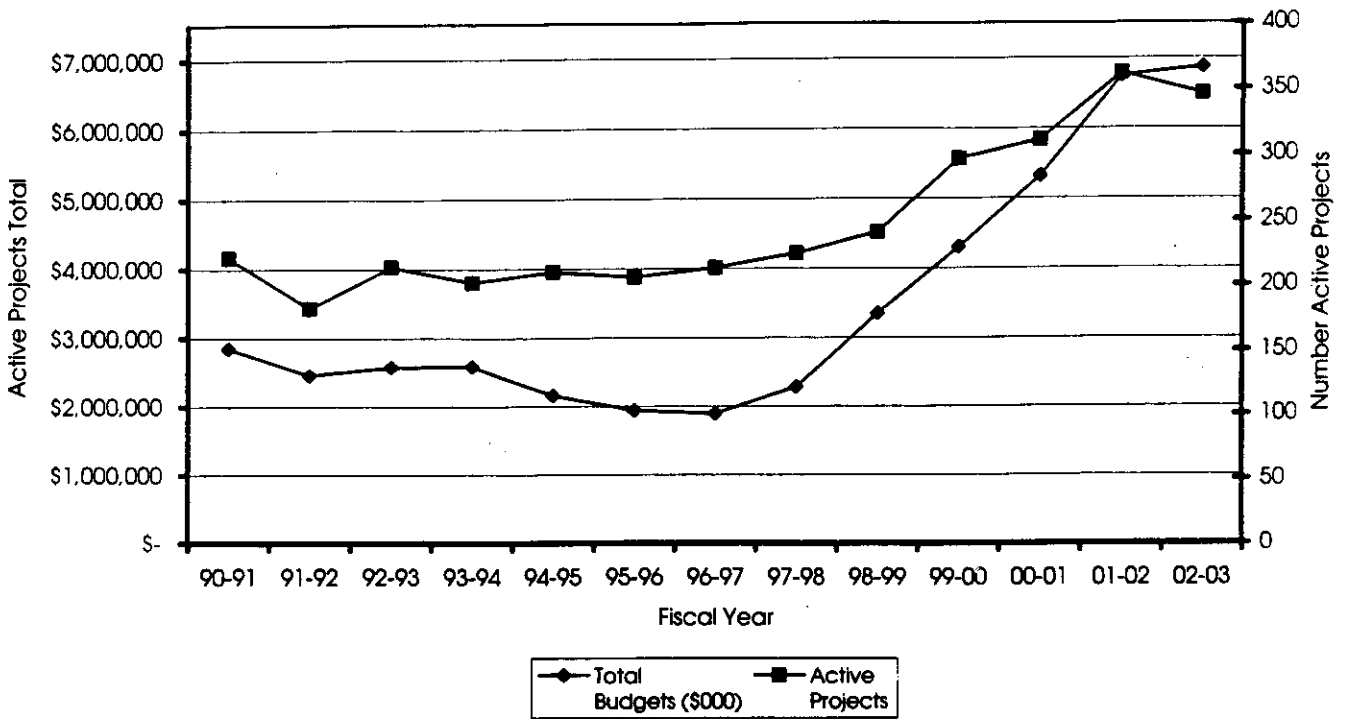
(6) Changes to Original Budget: This is a net dollar amount of augmentations and decreases. State funded project budgets are adjusted to the original cost index for the project so that inflationary changes are not reflected as budget augmentations.

(7) % Change Original Budget: The budget changes represent what percent change from the original budget, due to revised program scope or market conditions?

(8) # with Schedule Changes: How many projects have had changes in their schedule since original approval?

(9) % with Schedule Changes: The number of projects with schedule changes represents what percentage of the total campus projects?

Fig. 1: Total Budget and Number of Projects



Projects: All active projects with budgets exceeding \$250,000 for which funds were expended in 2002-03 and had not been completed (no Notice Of Completion filed) by June 30, 2003.
 Dollars: This is the sum of all project budgets at end of 2002-03. The figure includes all increases and decreases adjusted to remove inflation made to the original budget since its initial approval.

Fig. 2: Percent Change to Active Project Budgets

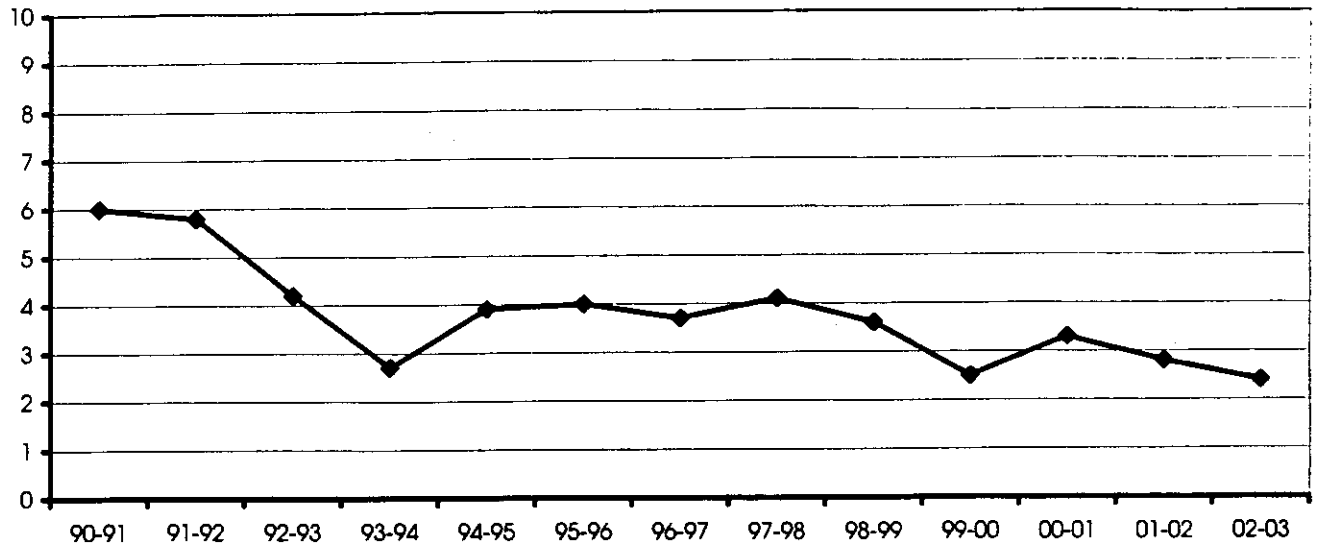
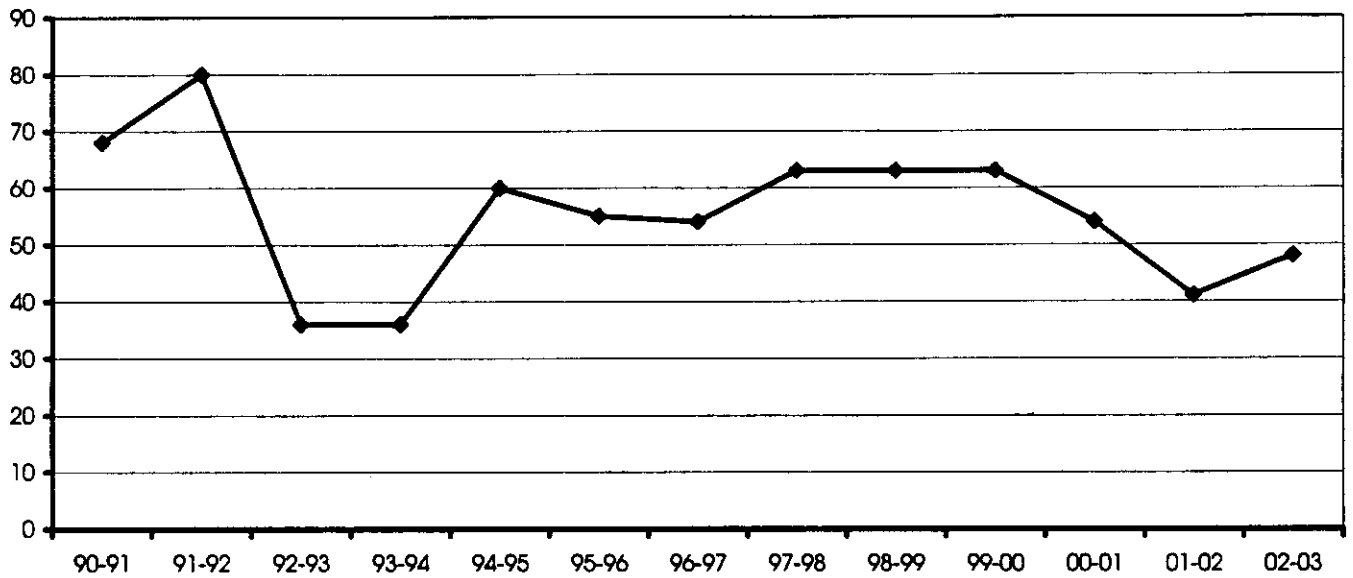


Fig. 3: Percent of Projects with Schedule Changes (%)



Projects: All active projects with budgets exceeding \$250,000 for which funds were expended in 2002-03 and had not been completed (no Notice Of Completion filed) by June 30, 2003.
 Dollars: This is the sum of all project budgets at end of 2002-03. The figure includes all increases and decreases adjusted to remove inflation made to the original budget since its initial approval.