
UCLA Policy 346: Gift-Funded Capital Projects DRAFT for PUBLIC REVIEW

Issuing Officer: Vice Chancellor & CFO
Responsible Department: Corporate Financial Services
Effective Date: TBD
Supersedes: New

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I. PURPOSE & SCOPE

This Policy outlines the required steps to ensure that capital projects with gift-funded components are properly managed, adequately funded, appropriately guide the expectations of donors, and ultimately reduce financial risk to the Capital Project Sponsor and UCLA. Any exceptions to this Policy must be approved in writing by the Chancellor.

Capital projects are developed in support of UCLA's academic program priorities. They are conceived to support the instruction and research mission of UCLA by providing a physical campus environment that fosters excellence, creativity, and a sense of community. Capital projects include major capital construction and renovation projects with a total project cost of \$750,000 and above.

The funding of capital projects are provided through a combination of State and federal funds, unrestricted campus funds, external debt financing, and donor supported initiatives. UCLA's approval and commencement of capital projects depend on the availability of such funding sources and the impact such funding sources may have on the financial profile of the campus.

Funding sources provided through Gifts to UCLA are an essential component of supporting needed capital investment and all academic and administrative leadership are encouraged to seek opportunities for Gift support of such projects.

The purpose of this Policy is to provide guidance to a Capital Project Sponsor for capital projects initially funded in whole or in part by Gifts and for which the construction phase began after the implementation of this Policy. Capital projects that do not include a Gift funded component are not within the scope of this Policy.

II. DEFINITIONS

For the purposes of this Policy:

Gifts refer to liquid assets including but not limited to cash, real estate, and securities. This excludes in-kind gifts, bequest intentions, and other revocable arrangements.

Capital Project Sponsor refers to the Executive Vice Chancellor and Provost, Dean, Vice Chancellor, University Librarian, or Athletic Director who will be sponsoring a capital project that is funded in whole or in part by Gifts.

III. POLICY STATEMENT

All capital projects must obtain the appropriate approvals pursuant to the University of California (UC) policy. Depending on the project budget and financing, approvals may be required by the UCLA Chancellor, the UC President, and/or the UC Regents.

To ensure that prospective donors are presented with project opportunities that are both feasible and approvable, donor solicitations for capital projects prior to the initiation of such solicitations, must be coordinated with the Vice Chancellor & Chief Financial Officer (VC/CFO) and Vice Chancellor External Affairs (VC-EA), in accordance with this Policy and applicable UC and campus policies.

A. Prior to Soliciting Gifts

Prior to soliciting gifts for capital projects, a Capital Project Sponsor must request the VC/CFO and VC-EA to sponsor an Initial Project Study (IPS). Capital Programs in partnership with Finance (Treasury Services and Academic Planning and Budget), and External Affairs will conduct the IPS. The IPS will assess the fundraising and business feasibility of the proposed project as provided in Attachment A.

Upon completion of the IPS, a Memorandum of Understanding must be executed between the Capital Project Sponsor and the VC/CFO.

B. Memorandum of Understanding (MOU)

Before a capital project funded in whole or in part by Gifts can be approved, an MOU must be executed between the Capital Project Sponsor and VC/CFO. The MOU will identify the project scope, estimated project cost, and projected funding sources.

1. **Project Cost** - when estimating the project budget, take into account the usual project costs (e.g. design costs, engineering, construction, etc.).

All capital gift proceeds are subject to an administrative fee on gifts.

Projects funded by UC sourced standby, interim financing, or UCLA sourced internal loans are subject to the payment of interest and should be considered as part of the project cost.

2. **Funding Sources** – the MOU will include, but are not limited to, terms that will irrevocably commit the Capital Project Sponsor to:
 - i. **Guarantee of Gift Funded Amounts.** The Capital Project Sponsor will irrevocably guarantee 110% of the amount of funding expected from gift and endowment sources (the “Committed Funding Threshold”) and identify the specific assets or revenue sources to be pledged as collateral to support such guarantee. The Committed Funding Threshold amount will include the amount of Gifts already received and the amount of irrevocable pledge commitments assigned to the project (subject to discounting for payments expected after five (5) years as described below). To the extent these amounts are less than the Committed Funding Threshold amount, the Capital Project Sponsor’s guarantee may be considered as part of the Committed Funding Threshold amount on a case-by-case basis. This Committed Funding Threshold amount is inclusive of UCLA’s administrative fee on Gifts.

A discount rate will be applied to irrevocable pledge commitments with payment terms in excess of five (5) years. The discount rate (indexed to the current target endowment return existing on the date of the MOU and prior to project approval will be applied against the future expected receipts from pledge commitments (in excess of five (5) years) to calculate the Committed Funding Threshold amount. For example, for a MOU dated Dec. 31, 2017, a \$1.0M gift to be paid in \$0.1M annual installments over ten (10) years will have the installments in years 6-10 discounted at the target endowment return in place as of Dec. 31, 2017.
 - ii. **Cash Requirement.** Confirm that prior to project approval at least fifty percent (50%) of the Capital Project funding expected from Gift and/or endowment funding is comprised of cash in hand assigned to the project from Gifts received .
 - iii. **Responsibility for Alternate Financing.** Terms of contingent internal financing that will apply in the event actual Gifts received and irrevocable pledge commitments do not fulfill the Gift funded component of the total project cost at the time of project completion and/or occupancy.

C. Project Approval

Once the MOU has been signed by the Capital Project Sponsor and VC/CFO, Capital Programs will manage and coordinate all appropriate approvals pursuant to UC and campus policies.

Pledge payments shall be transferred to the project plant account immediately upon receipt from the donor.

IV. REFERENCES

- 1.UCLA Policy 192, Soliciting, Accepting and Returning Gifts;
- 2.UCLA DA 730.02, Soliciting, Accepting and Returning Gifts;
- 3.UC Policy on Naming University Properties, Academic and Non Academic Programs and Facilities;
- 4.UCLA Policy 112, Naming of University Facilities and Organizational Units for Individuals; and
- 5.UC Development Policy.

V. ATTACHMENTS

- A. Initial Project Study

Issuing Officer

/s/

Vice Chancellor & CFO

**Questions concerning this policy or procedure should be referred to
The Responsible Department listed at the top of this document.**

INITIAL PROJECT STUDY

The initial project study (IPS) will include but not limited to:

1. Program Analysis
2. Business Case Analysis
3. Assessment of Financial Feasibility
4. Site and Massing Alternatives
5. Fundraising Feasibility