



**UNIVERSITY OF HOUSTON SYSTEM
UNIVERSITY OF HOUSTON
MEMORANDUM**

Facilities Management

TO: Don Guyton, Director Internal Audit

**FROM: Melissa Bellini, Executive Director Facilities Management
Spencer Moore, Executive Director Facilities Planning & Construction**

SUBJ: CRDM Process Improvement Update

DATE: February 8, 2010

The following memorandum outlines the process improvements we have made to date, as well as the next steps we are undertaking to help make certain that we become fully compliant with the requirements for utilizing Higher Education Assistance Fund money for CRDM, put forth by the Texas Higher Education Coordinating Board. This memo is required to be submitted to Internal Audit for their files.

FORMER CAPITAL RENEWAL AND DEFERRED MAINTENANCE ALLOCATION PROCESS

This is a report of the changes to the former CRDM Funds Allocation process. Upon initial review of the process used over the last several years, several issues were identified:

1. Fund categories were created and were not managed as individual projects, so reconciliations and controls were weak and allocations became more like cost centers than planned renewal projects. (See example A attached)
2. Funds were being utilized for general maintenance and operations expense that were non-capital in nature and appear to have been used as an extension of the Plant Operations budget, vs. solely for capital or capita renewal.
3. Projects that did occur were tracked in the fund categories and there is no individual record of the improvements, thus reporting on work and projects completed to the Controlling Board are inaccurate (historically)
4. Funding allocations and decisions were made solely by Plant Operations personnel with little university involvement
5. No annual plan for university needs was established or utilized for planning purposes on a capital project basis

GUIDELINES FOR USE OF FUNDS:

Article VII, [Section 17](#) of the Texas Constitution established the Higher Education Assistance Fund for the purposes of:

1. Acquiring land, either with or without permanent improvements
2. Constructing and equipping buildings and other permanent improvements
3. Repairing (major) or rehabilitating buildings or other permanent improvements
4. Acquiring equipment, library books and library materials

Assets obtained with HEAF funds shall have a unit cost of \$250 or more and a useful life of one (1) year or more. No exceptions will be made to this policy to assure compliance with Higher Education Assistance Funds.

PROCESS IMPROVEMENTS TO DATE

1. Guidelines for fund assignment, planning and allocation have been established (see appendix 1)
2. University Committee with external involvement to Plant Operations has been established
 - a. The planning committee consists of the following members:
 - i. Executive Director, Facilities Management
 - ii. Executive Director, Facilities Planning and Construction
 - iii. Office of Academic Affairs Representative
 - iv. Public Safety Representative
 - v. Director of Planning
 - vi. Director of Facilities Information
 - vii. Director of Utilities, Energy and Technical Systems
 - viii. Director of Minor and Planned Projects (Serves as Chair)
 - ix. CRDM Coordinator (administrative management of process and accounting)
 - x. Director of EHRM or Designee
 - xi. Research Representative – Liz Anderson-Fletcher or designee
 - xii. Information Technology - TBD
3. All funds will be requested through the use of a Capital Renewal and Deferred Maintenance Project Request form and will become individual projects to be managed with associated project accounting and controls (see appendix 2 for form copy)
 - a. All requests will be accompanied with a project budget with detailed scope
 - b. All expenditures will be tracked and reported monthly and made available in report form on an external web site.
4. Controlling Board Reports will be completed annually on a project specific basis and associated project controls will be utilized by Plant Operations.

NEXT STEPS

1. Web site to be created for Capital Planning with the following items included on the site:
 - a. Guidelines for Fund Allocations and Planning Process
 - b. Committee Listing and Contact Information
 - c. HEAF funding policies
 - d. Capital Renewal Project Request Form
 - e. Monthly and Annual expenditure reports (2010-forward)
2. Review of the Plant Operations Budget Process to ensure funds are allocated correctly and expenses are budgeted against revenue and accounting practices are straightforward and transparent
3. Development of an annual planning process by 4/1/2010

Please do not hesitate to contact us with any questions you may have regarding past practices or process improvements to date.

Cc: John Antel, Senior Vice Chancellor for Academic Affairs, UH System
Senior Vice President for Academic Affairs and Provost, UH

Carl Carlucci, Executive Vice Chancellor for Administration and Finance, UH System
Executive Vice President for Administration and Finance, UH

Ed Hugetz, Associate Vice Chancellor for Planning and University Outreach, UH System
Associate Vice President for Planning and University Outreach, UH

Dave Irvin, Associate Vice Chancellor and Associate Vice President for Plant Operations

Capital Renewal and Deferred Maintenance Program
 Budget Allocation FY04-FY10
 as of December 31, 2009

Fund	Deptid	Program	Project	Descr	Assigned	Current Budget	YTD/PTD	Open Cmt	Soft Cmt	BBA
							Rev/Exp			
FY10 CAPITAL RENEWAL & DEFERRED MAINTENANCE										
7047	H0184	G0004	P779325	FY10 CRDM Contingency		300,000.00	291,262.14	0.00	0.00	8,737.86
7047	H0190	G0004	P779326	FY10 CRDM Streets & Sidewalks	Norcom	330,000.00	0.00	0.00	0.00	330,000.00
7047	H0190	G0004	P779327	FY10 CRDM Painting & Carpet		55,000.00	0.00	0.00	0.00	55,000.00
7047	H0190	G0004	P779327	FY10 CRDM Painting & Carpet		70,000.00	6,672.00	23,953.39	0.00	39,374.61
7047	H0184	G0004	P779328	FY10 CRDM Bldg Envelope Repair		100,000.00	0.00	0.00	0.00	100,000.00
7047	H0184	G0004	P779329	FY10 CRDM Environmental Issues	Schneller	50,000.00	0.00	0.00	3,345.38	46,654.62
7047	H0184	G0004	P779330	FY10 CRDM Sanitary & Storm Inf		200,000.00	0.00	0.00	0.00	200,000.00
7047	H0184	G0004	P779331	FY10 CRDM Security Cameras & L		50,000.00	0.00	0.00	0.00	50,000.00
7047	H0184	G0004	P779332	FY10 CRDM Restroom Repairs & U		50,000.00	0.00	0.00	0.00	50,000.00
7047	H0184	G0004	P779333	FY10 CRDM Lighting Replacement		50,000.00	0.00	0.00	0.00	50,000.00
7047	H0184	G0004	P779334	FY10 CRDM ADA Corrections		50,000.00	3,668.18	550.00	0.00	45,781.82
7047	H0184	G0004	P779335	FY10 CRDM Fire Alarm Correctio		50,000.00	0.00	0.00	0.00	50,000.00
7047	H0184	G0004	P779336	FY10 CRDM Doors & Hardware		50,000.00	0.00	0.00	0.00	50,000.00
7047	H0184	G0004	P779337	FY10 CRDM Art Conservation		50,000.00	0.00	0.00	0.00	50,000.00
7047	H0184	G0004	P779338	FY10 CRDM Exterior Card Access	Jenkins	100,000.00	0.00	0.00	0.00	100,000.00
7047	H0184	G0004	P779339	FY10 CRDM Bldg Deferred Mainte		100,000.00	0.00	0.00	0.00	100,000.00
7047	H0184	G0004	P779340	FY10 CRDM Emergency Preparedne		100,000.00	0.00	0.00	0.00	100,000.00
7047	H0184	G0004	P779341	FY10 CRDM DDC Upgrade/Repairs	Sameer	50,000.00	0.00	0.00	0.00	50,000.00
7047	H0184	G0004	P779342	FY10 CRDM Cooling Tower 4 Repl	Sameer	2,970,000.00	0.00	0.00	0.00	2,970,000.00
7047	H0184	G0004	P779343	FY10 CRDM Central Plant Expans	Sameer	5,225,000.00	0.00	0.00	0.00	5,225,000.00
						10,000,000.00	301,602.32	24,503.39	3,345.38	9,670,548.91

Plant Operations Capital Renewal Deferred Maintenance (CRDM) Process

BACKGROUND

Plant Operations historically has received an annual budget of approximately \$10 million from HEAF to finance CRDM Projects. Monies are usually received in September of each fiscal year. These funds are held in a central account and are allocated on a project-by-project basis. Projects identified as CRDM are to be used for building maintenance or minor renovations. CRDM funds are used for maintenance and repairs to public areas of buildings and grounds and include but are not limited to repairing HVAC systems, plumbing systems, electrical systems, elevators, fire alarms, roofs, window replacements, masonry work, painting, plazas, road/sidewalk repair, etc.

CRDM funds cannot be used for non- university properties, maintenance or custodial contracts, equipment purchase or rental, software, auxiliaries, travel or training. Exceptions will be reviewed on a case by case basis. To test whether a project meets CRDM criteria, ask the following questions:

1. Is this a replacement that serves the same or similar purpose? (yes)
 2. Is this needed to make the rest of the building and/or system function? (yes)
 3. Can you stop after demolition? (no)
 4. Will it become a permanent part of the building or grounds? (yes)
- An example that would meet these criteria would be a Chiller Replacement. Priority will be given to those projects that address CRDM as well as help support energy/sustainability, safety and academic goals of the university.

Annual projects (i.e., painting, floor covering, condensate repair, pool classrooms) will be funded from CRDM funds, as well as reserving funding contingency for unforeseen/emergency projects. All projects should go through the project approval process.

Typically CRDM Projects have a budget between \$10,000 and \$500,000, with individual items of work being <\$50,000.

COMMITTEE

The planning committee will meet monthly and have extended planning session on the third month (quarterly rolling schedule) as well as an annual planning meeting. The Quarterly and Annual planning meetings will replace the monthly meeting during those time periods.

The planning committee consists of the following members:

1. Executive Director, Facilities Management
2. Executive Director, Facilities Planning and Construction
3. Office of Academic Affairs Representative
4. Public Safety Representative
5. Director of Planning
6. Director of Facilities Information
7. Director of Utilities, Energy and Technical Systems
8. Director of Minor and Planned Projects (Serves as Chair)
9. CRDM Coordinator (administrative management of process and accounting)
10. Director of EHRM or Designee
11. Research Representative – Liz Fletcher or Designee
12. Information Technology Representative - TBD

ANNUAL PLANNING PROCESS

1. There will be an annual planning process where projects can be submitted for plan consideration. The projects must address renewal or deferred maintenance needs in order to be considered, other criteria for project consideration is listed below. Emergency projects can be considered throughout the year and the committee may choose to readjust priorities during the quarterly planning meetings as university needs
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dictate. All plan decisions, meeting minutes and annual plans will be posted on the Plant Operations Capital Plan Website and visible to the campus community.

2. Projects that are to be considered for the annual process, as well as those that are identified throughout the year, are submitted to the CRDM Coordinator in Plant Operations on a CRDM Funding Request Form, downloadable from Plant Operations Website. These requests must contain a project description, justification, scope, detailed estimate, and appropriate signatures.
 - a. The estimate needs to include the cost of purchased materials and services (including design fees), the cost of in-house shop labor billed to an earnings account, and a 3% project management fee, as well as a planning contingency as applicable to the project.
 - b. Projects requested by Plant Operations require the approval of the requesting area Director and applicable Executive Director.
 - c. Projects identified in the Building Audit process are entered into Intake and will be reviewed by the CRDM Committee as appropriate during the annual planning process.
 - d. Non-plant operations projects may be considered in the Annual Review process if related to renewal of building systems, research, safety, code, environmental issues and business continuity if submitted through the Office of the Provost or AVP Public Safety representatives.
 - i. Additional consideration will be given to projects with college/departmental contributions.
 - ii. All requests will require College /Division Business Administrator approval on the Project Funding Request Form.
 - e. A calendar supporting the annual process as well as supporting communications will be developed and published by April 1 of each calendar year.
 - f. Projects that are approved will be communicated to the submitting department through their committee representative and the requester will receive an approved project funding request form. This form will be used to initiate the project with the Minor and Planned Projects Area.
 - g. Projects that are not approved for CRDM funding will be held for annual re-evaluation.
 - h. Once funding is transferred from the State to the CRDM Central account, determination is made on how much is to be used for identified project funding and how much is kept in reserve for emergencies and miscellaneous projects, i.e., energy.
 - i. Allocation of the emergency and maintenance reserve funding is done as projects are approved.
 - j. A portion of funding may, at the discretion of the committee, also be held for allocation to maintenance, energy efficiency, safety or business continuity projects.

EMERGENCY, RESERVES AND QUARTERLY REQUESTS

1. Emergency requests may be submitted for consideration throughout the year. If the project is an emergency it may be approved from the emergency reserve funding by either the CRDM Committee Chair or the Executive Director of Facilities Management.
2. Emergency project approved between meetings will be reported and adjustments to reserves
3. If the project is not an emergency, the off cycle funding request form is placed in a pending file for consideration during the next quarterly funding cycle placed in the queue to be reconsidered during the Annual review process.

4. A priority list of all identified projects is developed from the Operations, Utilities, Facilities Planning and Construction lists and updated quarterly. A maintenance reserve will be planned for annually and projects will be approved out of this reserve.

PROJECT NUMBER ASSIGNMENTS, FUND TRANSFERS AND REPORTING

1. A Request for Project form is sent to Business Services via Project Management System and a new cost center will be created in PeopleSoft.
2. Once the project is entered into the project management system and approved, it will be assigned a project number by the CRDM Coordinator. The project numbering system will be as follows: FY10-0001
3. The Project Data Sheet and the signed request form are filed with the fiscal year funded projects.
4. A copy of the approved paperwork is sent to the requestor, the Executive Director of FM, and the CRDM Chair. This copy is a scanned document saved by Project Title and Project Number as the name of the document. This is kept as part of the electronic paper record.
5. An e-mail notification of approved projects is sent to the appropriate supervisor and project team.
6. The CRDM funded projects spreadsheet is updated for the monthly, quarterly and annual planning meetings.
7. As individual projects evolve from either the maintenance or emergency reserve, they will be funded as projects and the reserve allocation reduced or the authorized project dollar amount transferred to the applicable project cost center. This will be managed by the CRDM Coordinator.
8. Project management assignment will be determined after review of current workload by the workload review team during the FPC/FM weekly triage meetings.
9. Once a project manager is assigned, he/she will also receive a scanned copy of the project materials to date.
10. Once the project is activated in the Financial System, a Contract and/or Purchase Request can be written for the project.
 - a. A letterhead quote needs to accompany contracts/purchase requests, if applicable.
 - b. The contract/purchase request is approved by the project manager, Principal, Applicable Director, Executive Director, as appropriate.
 - c. Contracts Administration reviews for compliance.
 - d. Finance reviews the chartfield information and enters the contract into the Project Management System
 - e. The appropriate Director approves all Contracts/Purchase Request according to current signature authority authorizations.
 - f. Purchase Requests are sent to Procurement for processing and contracts are sent to Finance for encumbrance.
11. Projects must be planned with contingency dollars so that they do not go into deficit. Once the project is properly closed any remaining funds will be transferred back into the reserve pool for quarterly review and redistribution.
 - a. If additional funds are needed, a supplemental request must come before the committee and be scheduled for presentation by the Project Manager to the committee prior to additional funds being authorized.
12. Once the project is complete, the project manager notifies the CRDM Coordinator by submitting a Project Closeout Form, the project is closed, and any remaining funds are returned to the central account to be reallocated at the quarterly meeting.
 - a. A project balance list will be sent to the CRDM committee members 7 days before the regularly scheduled meetings.

- b. The committee will produce and publish an annual report of expenditures, projects and CRDM benefits at the end of each fiscal year.

DEFINITION OF EMERGENCY

An **emergency** is a situation which poses an *immediate risk* to [health](#), [life](#), [property](#) or [environment](#).^[1] Most emergencies require urgent intervention to prevent a worsening of the situation, although in some situations, mitigation may not be possible and agencies may only be able to offer palliative care for the aftermath.

While some emergencies are self evident (such as a [natural disaster](#) which threatens many lives), many smaller incidents require the subjective opinion of an observer (or affected party) in order to decide whether it qualifies as an emergency.

The precise definition of an emergency, the agencies involved and the procedures used, vary by jurisdiction, and this is usually set by the [government](#), whose agencies ([emergency services](#)) are responsible for emergency planning and management.



Capital Renewal & Deferred Maintenance (CRDM) Project Request Form

Business Services Only Request#

Project Title	
Building #	Building Name
Emergency or Immediate Funding* <input type="checkbox"/> Yes <input type="checkbox"/> No	Managing Shop/Area
New Funding Request* <input type="checkbox"/> Yes <input type="checkbox"/> No	Add Funding to Project #
Project Description/Scope (<i>attach any estimate prior to request</i>):	

Plant Ops Use Only

Desired Construction Start Date	Desired Completion Date	Contract Date
*If Emergency Provide Justification	Shop Request:	Purchased Material & Services
		In-House Labor
		3% Project Mgt.
		Contingency
		Total Estimate

Requested By: Date	Director: Date
Department Contact: Date	Division Administrator:
CRDM Chair Signature: Date	Executive Director:
Project Number Assigned:	Project Manager Assigned:
Funding Source:	