



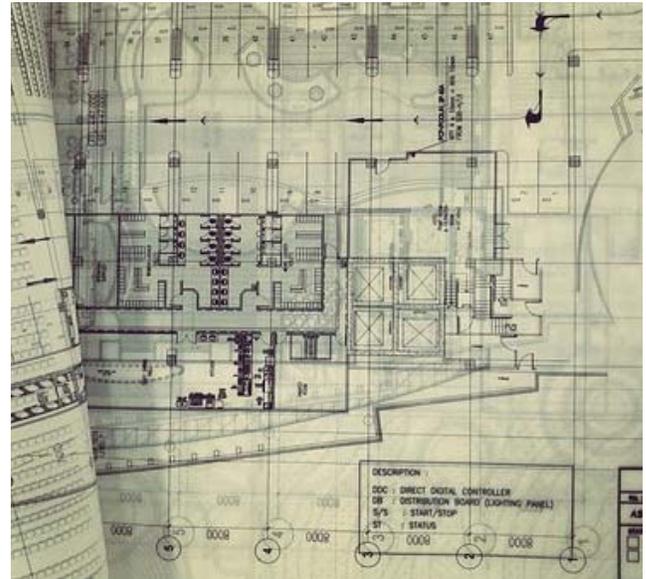
A Capital Project Roadmap

Over the years the Catholic Diocese of Cleveland has had numerous capital projects authorized to proceed, but what is a capital project and what are the milestones taken to make these proposed projects become real and completed on time and in budget?

A capital project falls into one of three categories:

1. The potential project is to build a new construction building, to replace an existing facility, to expand an existing facility or to renovate an existing facility. This type of project would most likely have a minimum total cost of \$25,000 to be qualified as a capital project.
2. The potential project is the purchase of a new major piece of equipment/asset investment for additional capacity and/or standby capacity. It is also possible this new equipment investment will have an acceptable return-on-investment (ROI) based on operating cost savings e.g., 4.5 year ROI to contribute to the capital project being authorized to proceed.
3. The potential project is a maintenance project based on a major piece of equipment that has reached its “end-of-useful” service life e.g., replace boiler equipment after 20-years in operation. A rehabilitation project e.g., modernize a building to the latest life safety codes is another potential end-of-useful service life.

Their large scale and large cost relative to the other facility-related investments that involve less planning and less resources defines capital projects.



With each of these capital projects the total cost may include categories such as the cost of the land, as well as “soft costs” e.g., engineering, architectural planning, and furnishing. Once in the construction phase, there will be project costs in addition to completing the work that falls under the category of “general conditions” in both the contract document specifications, and contractor costs e.g., job site trailer, permits, etc.

The capital project process begins with a need and identifying this need requires collecting a substantial amount of data versus jumping to the solution. With data collected, quite often there will be several potential solutions ranging from good, better, and best.

To provide assistance in developing the scalability of a project, a pastor, administrator, president or principal could convene a planning committee in developing a solution-based process. The Diocese of Cleveland Facilities Services office is available to assist in these early planning stages.

This planning committee is charged with organizing the optimum solution plan, addressing and documenting:

- What is the perceived problem e.g., the existing facility is out-of-date and out-of-code compliance, larger space to accommodate more participants, etc.
- Inventory the issues and concerns, discuss these topics, and formalize a list of options to resolve these issues and concerns.
- Based on a reduced list of solution options, prepare budget estimates and, if possible identify potential return-on-investment benefits associated with each possible solution.
- Determine the financing feasibility for each of the solution planning finalists.
- Based on the forecasted budgeted funds, determine the optimum solution plan to be implemented.

Once an initial plan is created, if the costs are anticipated to exceed \$25,000 or if professional services such as an engineer or architect is required, the parish/covered entity must first obtain the permission of the Bishop. This request is initiated, reviewed and recommended through the Temporal Goods Committee which consists of representatives from the offices of the Bishop, Facilities, Legal, and Finance.

Following approval, the capital project can proceed from conceptual design and budget, to the schematic design phase followed by the design development phase and contract document phase. A design team and construction manager should be hired. For larger scale projects, a third party owner representative with the experience to interface between the owner, designer and builder can be hired as well. Once the contract drawings and specification are completed, the construction manager will solicit bids from prequalified contractors e.g., electrical, plumbing, HVAC, etc.

and begin awarding contracts to these firms to begin construction.

While the construction phase may be considered one phase, it will be broken out by the construction manager into a planning and coordination phase, installation phase, startup, training, commissioning, closeout phase, and warranty phase.

Integral with the construction management planning will be the project schedule and keeping this schedule current. In addition, needed in the construction phase will be a month-to-month cash flow schedule to assure the building committee is prepared to authorize the release of funds as contractor requisitions come in each month. For example, a \$2.4 million project to be completed over 9 months will average approximately \$267,000 paid out per month but there will be a few months when the committee will be required to authorize more money than the average budget based on the progress of the job for those particular months.

It is important to note that an annual operating budget will need to be in place long before the design phase is completed. This ensures that this capital project completion will be a sustainable facility to operate and maintain in the years to come.

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