

RESOLUTION NO. 22-04



**Oregon State University
Approval of Capital Projects Policy**

BACKGROUND

Whereas, the Board of Trustees of Oregon State University (the “Board”) is vested by law with the power and authority to govern the University; and

Whereas, the bylaws of the Board specify that the Board’s governance responsibilities include ensuring the University’s fiscal integrity, overseeing the University’s financial resources and other assets, and preserving and protecting the University’s assets for posterity; and

Whereas, the Board adopted an Approval of Capital Projects Policy to guide the prudent investment of University funds; and

Whereas, the Board has completed its review of the Approval of Capital Projects Policy and identified amendments to adjust the Board’s retained authority for approval of capital projects to those with a total project cost of at least \$10 million, and for budget changes of at least \$10 million or fifteen percent (15%) of the project’s original approved budget,

Be it resolved that the Board of Trustees hereby approves the amendments to the Approval of Capital Projects Policy, attached hereto as Exhibit A.

This Resolution is effective May 27, 2022

APPROVED by the Board of Trustees on May 27, 2022.

A handwritten signature in blue ink that reads "Justin Baumgartner".

May 27, 2022

Secretary to the Board

Date

Oregon State University Approval of Capital Projects

I. Policy

Capital projects involve the construction, acquisition, renovation, modification, and expansion of the physical plant of the university. Prior approval of the Board of Trustees is required for the planning and implementation of a capital project with a total project cost anticipated to exceed ~~\$5 million~~ **\$10 million**, including costs for architects, construction managers, engineers and other professional consultants.

Board approval is also required for an increase to a Board-approved capital project budget where the total of all increases to the budget exceed either ~~\$5 million or ten percent (10%)~~ **\$10 million or fifteen percent (15%)** of the approval budget.

II. Purpose

The purpose of this policy is to guide the process by which a capital project is presented for consideration by the Board. University Facilities, Infrastructure and Operations facilitates this process for the university working collaboratively with the Board Secretary on scheduling requests for consideration of a capital project by the Finance & Administration Committee and Board.

III. Definitions

For the purpose of the policy, the following definitions apply:

- A. Stage gates: A project management technique in which a project is divided into distinct stages, separated by decision points (known as gates).
- B. Programming phase: The scope (building and user requirements) is determined, building area is established, and project cost estimating begins during this phase.
- C. Schematic design phase: During schematic design, the project scope is translated into physical drawings of space that include floor plans, site plans and building elevations.
- D. Design development phase: Schematic designs are expanded to include details and specifications required for construction. This includes size, function, configuration, equipment and materials for the building structure and systems. Construction documents are completed at the end of this phase to ensure compliance with codes, statutes, and university standards. This also includes quality controls and estimates of all project costs.

E. Construction phase: Consists of two primary phases: pre-construction and bidding, and construction. The first phase procures labor and materials and finalizes the budget, while the second completes the building and scope of the project.

F. Total project cost: Consists of direct and indirect costs incurred as a result of pursuing the construction project, as more fully described below;

a. Direct construction costs include but are not limited to: materials and labor, general requirements and conditions (project overhead and contractor site and project management), design and construction contingency, construction manager/general contractor (CM/GC) fees, payment and performance bonds, and liability insurance.

b. Indirect costs include but are not limited to: professional services, owner's contingency, OSU project management fees, stewardship fund, moving costs, equipment, furniture, permits, parking, and applicable governmental charges.

G. Contingency: Potential changes to the work scope that may become evident during planning and construction. The construction contingency is a percentage of the project budget, typically 10 percent of the total project budget, encumbered to offset the cost associated with change management items. The amount varies, primarily based on the complexity and associated risks of each project. Occasionally a project may carry a more significant amount of risk, which may require more than a 10 percent contingency.

H. Pro forma: A projected or estimated financial statement with revenues and expenditures relevant to the project based on certain assumptions and projections.

IV. Process for Advancing a Capital Project

Capital projects subject to this policy require Board approval at the following stage gates of the project planning and development process:

With the following exception, capital projects that are included in the annual Ten-Year Capital Forecast accepted by the Board may proceed through the completion of the schematic design phase under the direction of the Vice President for Finance and Administration. Capital projects requiring legislative approval of funding may not proceed past the programming phase until legislative approval is secured.

A. At or near completion of schematic design phase

At or near completion of the schematic design phase, the university will seek approval from the Finance & Administration Committee to advance a capital project to the next phase of design development.

The request will include the following:

1. A general description of the project, its scope and program;
2. Estimated total project budget, funding, and timeline;
3. Identification of risks and an explanation of the proposed contingency included in the estimated project cost based on the risk analysis;
4. For projects requiring future legislative approval, an explanation of other considerations related to the timing and likelihood of legislative approval; and

5. A preliminary pro forma describing project related revenues and expenses.

B. At or near completion of design development phase

At or near completion of design development, the university will seek approval from the Board to advance a project to construction phase. The Finance & Administration Committee will review the request and recommend action to the Board.

The request will include the following:

1. A description of the final project scope and program;
2. Total project cost, funding, and timeline;
3. An explanation of risks identified and how they have been addressed in the total cost and timeline; and
4. A final pro forma describing project-related revenues and expenses.

Approval by the Board establishes the approved capital project budget.

V. Changes to the Approved Budget for a Capital Project

Once the approved budget has been established by the Board, any increase(s) anticipated to cause the total of all increases to a capital project budget to exceed either ~~\$10 million or fifteen percent (15%)~~ ~~\$5 million or ten percent (10%)~~ of the approved budget must be approved by the Board after review by the Finance & Administration Committee. The Chair of the Board may schedule consideration by the Executive & Audit Committee, if the university can provide compelling documentation of the urgency or need.

VI. Changes to Project Scope of an Approved Capital Project

The Vice President of Finance and Administration is responsible for establishing administrative safeguards to ensure that any proposed modification to the scope of a project (i) is not substantially inconsistent with the scope presented to the Board at Stage Gate II approval or (ii) is brought to the Board for approval. In addition, staff shall include information on project scope modifications for all active projects as part of the annual Capital Projects Update.

VII. Emergency Construction

If an emergency compels immediate action so that waiting to obtain Board approval would jeopardize, for example, the safety, security, or viability of a building, the President is authorized to undertake and continue to implement measures to secure the building and to remediate damage or destruction arising from the emergency and to approve work in light of the circumstance. Upon occurrence of an emergency requiring immediate construction planning and implementation or upon the discovery of an exigent circumstance that is likely to jeopardize the safety, security or viability of a building, the President shall notify the Chair of the Finance & Administration Committee and provide information about the nature of the emergency, identify project costs known at that time, and identify the planned source of funding for the costs. Once final costs

are determined, a project budget for emergency construction or an amended project budget reflecting additional work on an approved project due to exigent circumstances will be presented to the Finance & Administration Committee for approval.

Document History:

Adopted by the Board of Trustees October 26, 2018

Amended May 27, 2022