

SOUTH DAKOTA BOARD OF REGENTS

Policy Manual

SUBJECT: Maintenance and Repair

NUMBER: 6:6

1. Maintenance and Repair Definitions

The following definitions will be used when classifying maintenance and repair projects:

A. Maintenance

Maintenance is the recurrent, day-to-day, periodic or scheduled work required to preserve or to restore a facility to such conditions that it can be effectively used for its designed purpose. It includes work done to prevent damage to a facility that would be more costly to restore once damage took place and includes work performed to ensure immediate and continued safe use of the facility. Maintenance includes normal operating expenses (OE) and planned preventative maintenance but for funding purposes will be defined as any project over \$7,500. Any project exceeding \$500,000 and not funded out of available maintenance and repair funds will be a capital improvement project and will be governed by Policy 6:4.

B. Repair

Repair is the restoration of a facility to such condition that it may be effectively utilized for its designated purpose. The repair is done by overhaul or replacement of major constituent parts that have deteriorated by action of the elements or usage. The deterioration has not been corrected through normal operations or maintenance. Replacing roofs, tuckpointing buildings, and replacing air conditioning compressors are examples of repairs. For the purpose of determining funding, repairs are beyond OE capability and normally consist of projects in excess of \$7,500. Any project exceeding \$500,000 and not funded out of available maintenance and repair funds will be a capital improvement project and will be governed by Policy 6:4.

C. Renovation

Renovation is the total or partial upgrading of the facility to higher standards of quality or efficiency than originally existed. New installation of air conditioning, installation of grid ceilings with recessed fluorescent lighting to replace suspended incandescent lighting, and enclosing stairwells to comply with current fire safety codes are examples. Any project exceeding \$500,000 and not funded out of available maintenance and repair funds will be a capital improvement project and will be governed by Policy 6:4.

D. Alteration

Alterations change the internal arrangement or other physical characteristics of an existing facility so that it may be effectively used for its designated purposes. Examples are partitioning a classroom into offices or converting a room to laboratory use by installing laboratory benches and fume hoods. Any project exceeding \$500,000 and not funded out of available maintenance and repair funds will be a capital improvement project and will be governed by Policy 6:4.

E. Operating Expenses

Operating Expense (OE) funds as they relate to maintenance and repair include the routine, recurrent, periodic or scheduled work required to preserve existing facilities. OE encompasses all activities related to the normal operations of an institution, including purchase of materials, utilities, janitorial services, etc. OE may include maintenance, repair, renovation or alteration projects smaller than \$7,500.

2. Maintenance and Repair Categories

The following categories will be used to identify the types of maintenance and repair projects:

A. Public Health, Safety, and Compliance: Facilities should be maintained to comply with regulatory requirements required by OSHA, building codes, life safety codes, the Americans with Disabilities Act, and EPA requirements such as asbestos maintenance and abatement criteria. The following codes shall be used when classifying maintenance and repair projects:

- A-1: Americans with Disabilities Act
- A-2: Life Safety
- A-3: Other

B. Building Integrity: Building integrity includes the roofs, windows, exterior envelopes, and foundations. Failure to maintain these subsystems will cause deterioration of the enclosed space leading to higher maintenance and repair costs and utility costs.

C. Programmatic Suitability (school mission): Facilities should be configured or space adapted to meet the changing school mission and program requirements.

D. Energy and Utility Savings: Energy conservation projects should be based on conservation criteria established by the Office of the State Engineer (OSE) and the Governor's Office of Energy Policy.

E. Other: Projects not falling into the above categories.

3. Contracting Authority

The Bureau of Administration is granted authority over capital improvements, major repairs and remodeling in concert with State Building Committees (SDCL § 5-14-3). The Board recognizes the expertise that is provided by the Office of the State Engineer (OSE) in preparing, or causing to be prepared, preliminary plans, final plans, specifications, advertisements, notice and instructions to bidders, proposal forms, contract forms and all work incidental to securing bids and contracts, and the oversight and supervision of construction, repair, rebuilding, or alterations. The following guide shall be used in determining project administration:

- A. OSE shall not be involved in projects totaling less than \$25,000 that do not require an outside A/E firm, unless requested by the institution. The institution shall ensure that all statutory requirements including bid laws, uniform codes and standards, bonding and insurance, and purchasing regulations and procedures are followed in conjunction with all projects. The institutions are responsible for keeping accurate records on all projects handled by the institution.
- B. On projects totaling less than \$25,000 that require an outside A/E firm, the institutions shall consult OSE for the designation of the A/E. The institution may handle the balance of the project and shall ensure that all statutory requirements including bid laws, uniform codes and standards, bonding and insurance, and purchasing regulations and procedures are followed in conjunction with all projects.
- C. OSE shall manage all projects totaling \$25,000 or greater, except where a memorandum of agreement exists for special construction or where an institution receives authorization from OSE to manage the project.

4. Maintenance and Repair Funding

Maintenance and repair funding comes from several sources. Revenues from the pesticide tax are provided for the Agricultural Experiment Station. Revenues from the special schools endowment are provided for the South Dakota School for the Deaf and the South Dakota School for the Blind and Visually Impaired. Revenue facilities must provide sufficient resources to fund maintenance and repair needs. Higher Education Facilities Funds and the Maintenance and Repair Fee provide support for academic facilities. Other projects are funded by various institutional funds or from funding identified through special legislation.

5. Maintenance and Repair Planning

Each institution shall maintain a maintenance and repair plan that includes maintenance, repair, renovation and alteration projects necessary to keep all buildings and facilities in safe and serviceable condition so each institution can support its approved mission. The plan shall consist of a ten year prioritized list with cost estimate, maintenance and repair category, and a descriptive title. Detailed descriptions and justifications should be available for the

two most current years on the list. The plan shall be updated each year with project costs projected using current year dollars.

A project should only be phased if each phase of a project can be considered a complete project and it is a part of sound design practice. Each phase should stand alone and should not be dependent on the next phase starting immediately upon completion of the prior phase.

The institution shall determine if maintenance, repair, renovation, or alteration projects exceeding \$500,000 in total cost, or for any phase exceeding \$500,000, are classified as a capital project list or are included on the maintenance and repair list.

Projects cannot be included on the maintenance and repair list and on the capital improvement list.

6. HEFF Maintenance and Repair

A. Maintenance and Repair Request

The institutions must submit a prioritized summary listing of all projects covering a ten year period with their annual operating budget request document. The minimum estimated project cost shall be \$7,500, including A/E fees. Project titles should identify the building or facility and depict the nature of the project. The projects should be identified in the year that they are needed and not in the year the funding is anticipated. The listing should identify the projects as maintenance, repair, alteration, or renovation. Each project should also be placed into one of the following categories: Public Health, Safety and Compliance; Building Integrity; Programmatic Suitability; Energy and Utility Savings; or Other.

The Board shall forward the lists that represent the need for the current operating budget request cycle to the legislature.

B. Maintenance and Repair Allocation

The Board Office shall determine the campus allocation from HEFF based on the annual legislative maintenance and repair appropriation. The formula used to make the allocation shall use academic building replacement costs and the academic building gross square footage. The formula applies a 50%-50% averaging factor to the academic building square footage and replacement values to arrive at an equitable allocation of appropriated funds to each institution.

Each year the institutions must update their square footage information and replacement values to determine the factors. The replacement values are adjusted each year by the Building Cost Index Change.

C. Board Approved Projects

After the allocation has been determined, the institutions shall have the opportunity to realign their priorities or to identify additional projects as necessary. The institutional lists shall be forwarded to the Board for approval.

Any changes, other than funding realignments and transfers, to the approved project list for projects estimated to cost \$50,000 to \$100,000 must be submitted for the Executive Director's approval and projects more than \$100,000 must be submitted for Board approval.

D. Planning and Design

Each year any amount from 2% to 20% of the institution's HEFF allocation shall be identified as a Planning and Design Account. The institutions may expend the funds without Board approval to prepare cost estimates and to pay preliminary planning and design costs.

E. Project Fund Balances

When a bid is accepted for an amount less than the estimated project cost, the remaining unobligated funds shall become available to the institution. These monies must be available to fund bid overruns on other projects, emergency projects, and change orders on existing projects. If these monies are not available in sufficient amounts to provide funding for occasional bids that exceed the estimates, or for an authorized emergency project, one or more existing project(s) shall be deleted from the institution's maintenance and repair list.

7. Revenue Building Maintenance and Repair

In order to provide a planned and adequate maintenance and repair program for all campus revenue buildings, expenditures equal to at least 1% of the replacement value for all revenue buildings must be expended on maintenance and repair projects each fiscal year. These expenditures may be averaged over a five year period to obtain the minimum 1% expenditure level.

Revenue funded maintenance and repair consists of expenditures for maintenance, repair, alteration and renovation projects. On-going expenses for operations and maintenance and routine replacement of capital assets are not to be included in the 1% calculation.

8. Institutionally Funded Maintenance and Repair

All institutionally funded projects including revenue funds and other institutional funds (excluding the maintenance and repair fee) estimated to cost \$50,000 to \$100,000 must be submitted for the Executive Director's approval. All projects over \$100,000 must be submitted for Board approval. Projects under \$50,000 (all costs and contracts inclusive)

may be approved by the Presidents or their designee. The institutions shall submit a list of projects over \$50,000 to be funded with institutional funds, along with the HEFF project list.

9. Other Funded Maintenance and Repair

Funds for maintenance of the facilities at the South Dakota School for the Deaf and the South Dakota School for the Blind and Visually Impaired are provided from the special schools endowment. Funds for maintenance of the facilities at the Agricultural Experiment Station are provided from the revenues from the pesticide tax. All projects funded with other funds shall have Board approval.

These funds shall be allocated on an "urgency of need" basis. The Executive Director shall forward a recommended project list to the Board each fiscal year.

10. Maintenance and Repair Fee Funded Projects

A. Board Approved Projects

All projects funded with revenues from the Board approved Maintenance and Repair Fee shall be submitted to the Board, along with the HEFF project list.

Any changes, other than funding realignments and transfers, to the approved project list for projects estimated to cost \$50,000 to \$100,000 must be submitted for the Executive Director's approval and for projects over \$100,000 must be submitted for Board approval.

B. Planning and Design

Each year any amount from 2% to 20% of the maintenance and repair funds shall be identified as a Planning and Design Account. The institutions may expend the funds without Board approval to prepare cost estimates and to pay preliminary planning and design costs.

C. Project Fund Balances

When a bid is accepted for an amount less than the estimated project cost, the remaining unobligated funds shall become available to the institution. These monies must be available to fund bid overruns on other projects, emergency projects, and to fund change orders on existing projects. If these monies are not available in sufficient amounts to provide funding for occasional bids that exceed the estimates or for an authorized emergency project, one or more existing project(s) shall be deleted from the institution's maintenance and repair list.

11. Maintenance and Repair Guidelines

A. Work Requests

All projects involving the OSE require an OSE work request signed by the President or his/her designee and the Executive Director. OSE work requests are required for all planning and design projects, studies, and testing that is done outside the scope of an approved project. Projects that are done in phases through OSE require a work request for each phase.

Projects that require approval by the Board require a work request regardless if OSE is to be involved. If OSE is not to be involved, the work request should indicate whether the project shall be done by the institution or contracted.

1. **HEFF and Maintenance and Repair Fee Projects:** Work requests are required for all projects totaling \$25,000 or more, or for any project involving OSE. A work request is required for all planning and design, studies, and testing that is done outside the scope of an approved project. Work requests should be signed by the President or his/her designee and the Executive Director.
2. **Institutionally Funded Projects:** Work requests are required for all projects totaling \$25,000 or more or for any project involving OSE. Work requests should be signed by the President or his/her designee and the Executive Director.

B. A/E Selection and Fee

The institutions, through the Office of the State Engineer, may engage an appropriate Architect/Engineer or Consulting Engineering firm to informally advise upon or to formally carry out project planning, except for new construction or capital improvements (see Capital Improvements 6:4).

In order to achieve greater efficiencies, similar maintenance and repair projects may be grouped into packages for design and bidding purposes by OSE. The A/E selection process used by OSE is based on A/E expertise, past performance, geographic location, and the number of previous state contracts and shall be carried out in the manner described in SDCL § 5-14-3.

The fee to be paid the Architect/Engineer shall be computed from the State Engineer's Architectural/Engineering Fee Schedule by using the established percentages applied to the total construction cost of the project. Total construction cost includes: planning, contracts, direct purchase of labor and material, and add alternates designed but not taken and accepted by the State. Deduct control orders shall not be considered in computing the total construction cost of the project.

C. Institutional Control of Projects of \$25,000 or more

Projects can be constructed by institutional personnel or by contracts depending on the most cost-effective method to be determined by the institution in consultation with the Office of the State Engineer. Institutions shall be reimbursed for their effort from the project funds for all direct costs including institutional labor, project coordination, construction materials, and architect/engineering work.

A work request must be submitted to OSE requesting institutional control of a project of \$25,000 or more. Only after the work request is approved should the campus initiate any conversations with OSE regarding assignment of project control to the institution. The work request should reflect the institution's intention to request such institutional control. When approval for the project has been received, discussions on the control of the project can begin. If institutional control of the project is not approved by OSE, the institution shall submit a new work request.

D. Award of Construction Projects

Projects to be constructed all or in part by contract shall be awarded through the competitive bid process according to SDCL ch. 5-18. Projects constructed all or in part by contract shall follow Board of Regents purchasing guidelines and procedures when the amount for the construction project involves the expenditure of a sum less than \$25,000 or involves the purchase of supplies, materials, or equipment involving the expenditure of a sum less than \$7,500. If a contract involves the expenditure of a sum of \$25,000 or more or for the purchase of materials, supplies or equipment that involves the expenditure of \$7,500 or more, it shall be advertised pursuant to SDCL § 5-18-3.

After a project has been bid, the OSE or institution shall review the bids and identify the lowest responsible bidder meeting the specifications of the project pursuant with SDCL § 5-18-9. On projects handled by OSE, the OSE shall make a recommendation to the institution, indicating which bidder should receive the contract. The institution shall respond with a "funding letter" identifying the amount of funding available for the project. In most cases this shall be the contract amount plus a 5%-15% contingency pool, and including all other costs, such as A/E cost, OSE billings, testing, and related institutional costs, fees and assessments.

The designer of record shall compare the bids received and prepare a written tabulation and analysis of the bids and a recommendation on awarding contracts. The bids shall be accepted or rejected after evaluating the bids and the available funding. Projects shall ordinarily be rejected when the lowest construction bid (plus A/E fees) is determined to be out of line with estimated costs. On projects handled by OSE, the OSE shall notify the Board of Regents or the institution as appropriate if the determination is made to reject all bids. The institution should follow up with a letter responding to the recommendation. Batched or grouped projects may be accepted or rejected in the same manner.

E. Change Orders

Change orders are modifications or changes to the original plans, specifications or contract documents. Add-on change orders to construction contracts should not be approved for payment purposes until they are signed by the appropriate persons according to the Board of Regents operating procedures. Change orders should only be requested for unforeseen conditions found during construction or design errors not identified in the design phase. Change orders may arise from a variety of legitimate causes, such as changing program requirements or unanticipated needs.

Change orders may not be used to change the project scope. Changing the scope of a project requires a new bid. SDCL § 5-18-18.3.

F. Payments

The institutions should handle payment of vouchers in a timely manner such that late penalties are not incurred.

On projects handled by OSE, vouchers that have been approved for payment shall be sent to the appropriate agency according to the operating procedures. Vouchers for projects funded through Building Authority shall be processed through that office.

Any problem with vouchers or warrants is to be handled by a single contact person designated by each institution. Each institution must assure efficient processing of all maintenance and repair expenditures and related fiscal matters.

12. Emergency Projects

An emergency project is a project that is necessary in order to protect public health and safety or to save a building's integrity. The Executive Director may give approval to any emergency project in consultation with the Board President or his or her authorized representative so that it may proceed until formal Board approval is granted. Emergency approval may also be given by the Executive Director for projects where substantial cost savings can be realized if advertised and awarded before approval can be obtained at the next regularly scheduled Board meeting. The requesting institutions must demonstrate why this substantial cost savings could not be realized if approval were delayed until the next Board meeting. Emergency approval granted by the Executive Director is not the equivalent of an emergency per SDCL § 5-18-3.1. Emergency award of a contract without advertising is only warranted when awaiting regular advertising for bids would seriously impair public services to be provided. Specific approval to proceed according to SDCL § 5-18-3.1 must be requested from the Board's General Counsel and approved by the Executive Director.

Each fiscal year, the Executive Director may deduct \$100,000 from the system's HEFF M&R funding to be set aside for emergency projects. The emergency fund shall only provide for temporary or remedial repairs to campus facilities and should not be available to fund the entirety of any project.

Emergency funds shall only be used after the institution has exhausted all other maintenance and repair funds available. This would include canceling or deferring approved projects and using available fund balances. The Executive Director can divert funds from any institution to fund emergency projects.

The Executive Director may direct the discontinuance of or delay the progress of approved maintenance and repair projects at any time prior to execution of construction contracts.

13. Approval and Authority

The following summary tables shall be followed to assure proper authorization and approval of projects:

A. Institutional Funded, HEFF, and Maintenance and Repair Fee

<u>Project Funding</u>	<u>Project Approval</u>	<u>Work Request</u>	<u>Contract Authorization</u>
\$7,500 - \$24,999 No A/E Contract	No	No	Institution
\$7,500 - \$24,999 With A/E Contract	OSE Assigns A/E	Institution	Institution
\$25,000 - \$49,999 No A/E Contract	OSE	Institution	OSE
\$50,000 - \$100,000 With A/E Contract	Executive Director	Executive Director	OSE
Over \$100,000	Board	Executive Director	OSE

B. Special Legislation, SDBA Funded and Bonded Projects shall be handled according to the authorizing legislation.

14. OSE Operating Procedures

The following operating procedures shall be followed to assure that the necessary approvals and signatures have been obtained on projects handled by OSE. This should include all projects of \$25,000 or more (unless OSE has given the institution control or a joint powers agreement is in place) and any project under \$25,000 where the institution desires OSE to handle it.

A. Routine HEFF (Higher Education Facilities Fund), Maintenance and Repair Fee, and Institutional Funded Projects

1. Work Request: An OSE work request must be signed by the President or his/her designee and the Executive Director of the Board of Regents when necessary.
2. Bid Advertisements/Recommendations: The OSE should send their bid advertisements and bid recommendations to the institutional contact person.
3. Contracts/Change Orders: The contracts and any change orders should be sent to the institutional contact person. The President or his/her designee shall sign all contracts and change orders.
4. Vouchers: The vouchers should be sent to the fiscal contact person identified for each institution.
5. Correspondence: The institutional contact should be copied on correspondence.

B. Special Legislation Projects and Bonded Projects (Not South Dakota Building Authority)

1. Work Requests: An OSE work request must be signed by the President of the institution and the Executive Director of the Board of Regents.
2. Bid Advertisements/Recommendations: The OSE should send their bid advertisements and bid recommendations to the institutional contact person and the Executive Director of the Board of Regents.
3. Contracts/Change Orders: The contracts and control orders should be routed to the institutional contact person for the President's signature and the Board Office for the Executive Director's signature.
4. Vouchers: The vouchers should be routed to the fiscal contact person at the institution for coding and final approval.
5. Correspondence: The institutional contact person and the Executive Director of the Board of Regents should be copied on correspondence.

C. SDBA Funded Projects

1. Work Requests: An OSE work request must be signed by the President of the institution and the Executive Director of the Board of Regents.
2. Bid Advertisements/Recommendations: The OSE should send their bid advertisements and bid recommendations to the institutional contact person and the Executive Director of the Board of Regents.

3. Contracts/Change Orders: The contracts and change orders should be routed to the institutional contact person for the President's signature and the Board Office for the Executive Director's signature.
4. Vouchers: The vouchers should be routed to the SDBA for coding and approval.
5. Correspondence: The institutional contact person and the Executive Director of the Board of Regents should be copied on correspondence.

D. SDBA Bonded Projects

1. Work Requests: An OSE work request must be signed by the President of the institution and the Executive Director of the Board of Regents.
2. Bid Advertisements/Recommendations: The OSE should send their bid advertisements and bid recommendations to the institutional contact person and the Executive Director of the Board of Regents and the SDBA.
3. Contracts/Change Orders: The contracts and change orders should be routed to the institutional contact persons for the President's signature, the Board Office for the Executive Director's signature, and the SDBA for the Executive Secretary's signature and the President of the SDBA's signature.
4. Vouchers: The vouchers should be routed to the SDBA for coding and approval.
5. Correspondence: The institutional contact person and the Executive Director of the Board of Regents should be copied on all correspondence.

15. Maintenance and Repair Reporting Procedures

The institutions shall be required to report quarterly on the status of their HEFF and maintenance and repair fee projects. All the institutions shall use the same format determined by the Board Office.

16. Office of the State Engineer

The Office of the State Engineer shall assess a service charge on all projects. The charges shall be based upon all expenses incurred for plans, specifications and supervision of construction, including the actual and necessary expenses of the Bureau of Administration. (SDCL §§ 5-14-6, 5-14-7).

SOURCE: Revised, BOR, December 1993; BOR, October 1996; BOR, October 1998; BOR, March 2003; BOR, March 2004; BOR, April 2007.