

SOUTH DAKOTA BOARD OF REGENTS

Policy Manual

SUBJECT: Capital Improvements

NUMBER: 6:4

A. PURPOSE

To document the necessary steps for moving a capital project request forward.

B. DEFINITIONS

- 1. Capital Improvement:** Any repair, renovation, or alteration project that has a cost of \$5.0M or more shall be classified as a capital improvement. (SDCL 5-14-3). All new construction or any addition beyond mechanical space, regardless of the cost, will be considered a capital improvement project.

C. POLICY

Building committees are assigned to capital improvements and the universities must garner all the necessary approvals from the Board and building committee before proceeding to the next step.

1. Scope of Chapter

As provided in SDCL § 5-14-1, capital improvements include expenditures for new construction or for the purchase of land and improvements affixed to it. Policy Numbers 6:1 and 6:2 govern the purchase of land and improvements.

1.1. Capital improvements include:

- The erection of a new facility;
- The addition, expansion or extension of an existing facility that adds to the facility's overall external dimensions or adds to the total gross square footage of the facility;
- Any major maintenance, repair, renovation or alteration project, as defined in Policy Number 6:6, whose cost exceeds \$5,000,000 whether done in phases or not.

1.2. Cost objects recognizable as capital improvement expenditures include:

Architectural and engineering services, site preparation, construction, furnishing, equipping such buildings and facilities or subsystems for use, including heating, plumbing, ventilation, water, sewer, and electrical facilities with necessary connections to existing systems, asbestos abatement where necessary, the construction of sidewalks, and the landscaping of grounds.

- 1.2.1. No costs associated with the acquisition of land may be charged against appropriations provided for new construction.

2. Justification for a New Facility

Requests for capital improvements may be justified in one or more of the following circumstances:

- Where the new construction shall replace a facility or subsystem that has become inadequate through deterioration or obsolescence and that cannot be renovated at a cost below fifty percent of the facility replacement value;
- Where new construction shall provide the most effective and economical means to meet current operational requirements;
- Where new construction shall provide the most effective and economical means to meet new operational requirements, such as may arise from increased enrollments; and
- Where the new construction shall upgrade existing facilities or subsystems to reasonable standards of safety set forth in safety codes or other suitably documented safety standards.

3. Review and Approval of Capital Improvements Requests

The review and approval of capital improvement projects involves four distinct phases. Board approval is required before a project may advance from one stage to another. All projects meeting the definition of a capital improvement project should be submitted for approval as governed by Board Policy 6:6. A flow chart detailing the Board's internal procedure can be found at the end of this policy. All non-revenue projects require legislative approval, which usually happens after the facility program plan although it may happen at different stages.

3.1. Preliminary Facility Statement - Requests to initiate the formal review of proposed capital improvement projects must be accompanied by a preliminary facility statement prepared by the institution that addresses the following:

- General programmatic needs to be addressed;
- Analysis of the student body or constituents to be served;
- Additional services to be offered;
- Compliance with master plan;
- Analysis of needs assessment based on the facilities utilization report;
- Location;
- Reallocation or demolition of old space, if any;
- Proposed funding source/sources; and
- Budget for development of a Facility Program Plan.

3.2. Facility Program Plan - If the Board authorizes the preliminary facility statement for a proposed capital improvement project, the institution shall prepare a facility program plan. If an A/E firm will be involved in the development of the program plan, a building committee will need to be appointed to interview A/E firms for the purpose of developing the facility program plan and for the final design stage (see BOR Policy 6:5). The facility program plan must be approved before a capital improvement project is authorized for submission to the Legislature unless the project received legislative authorization through a previous capital improvement planning process. The program plan shall address the following:

- Fund Sources – The funding plan for the project must identify the specific sources of the revenue and the financing structure that will be used to cover all of the costs associated with the project including but not limited to: planning costs, design costs, testing, infrastructure, construction, equipping the facility, land purchase, and landscaping.
- Programmatic justification for discrete spaces (classrooms, offices, etc.);
- Gross square footage;
- Site analysis;
- Description of key building features;
- Illustrative floor plans;
- Initial cost estimates and funding sources;
- Maintenance and Repair – The campus must provide the Board with a funding plan on how they will meet the 2% M&R requirement on any capital improvement project. The funding plan must be specific as to the funding sources that will be used for maintenance and repair. The plan cannot reduce or negatively impact the funds already dedicated to maintenance and repair.
- On-going operational costs – The campus must include the budget and funding sources for ongoing operational costs including janitorial, utilities, and other costs. The operational cost projections should identify the estimates of utilities, custodial and maintenance services, supplies, materials, equipment, etc;

3.3. Facility Design Plan

The Facility Design Plan must be approved by the building committee prior to being submitted to the Board for approval. This phase of the project planning process shall address the following:

- Architectural, mechanical and electrical schematic design;
- Changes from facility program plan;
- Impact to existing building or campus-wide heating/cooling/ electrical systems;
- Total construction cost estimates (see 1.2.); and

- Changes from cost estimates for operational or M&R expenses.

- 3.3.1. The facility design costs should be part of the project costs and funded out of the approved revenue sources for the project.
- 3.3.2. If the facility is a non-revenue capital improvement project, the Board may approve the submission of legislation to authorize the construction and secure funding for the project.
- 3.3.3. Final Board approval of the project is granted with approval of the Facility Design Plan.

3.4. Facility Bid Documents

After the Board's approval of the facility design plan in 3.3.3. above, the building committee will proceed with final bid documents.

- 3.4.1. The final bid documents, including plans and specifications, must be reviewed and approved by the building committee prior to issuing the bid documents to contractors for bids. This review and approval may be concurrent with BOA/OSE and institutional final review and approval.
- 3.4.2. If either the final cost estimates or the bids, including a reasonable contingency, exceed the approved level of funding, the project must come back to the Board for approval of a revised budget.
- 3.4.3. The building committee can work with OSE and the A/E firm to value engineer to get the project within budget. Any changes proposed by the BOA/OSE, the A/E, or the institution that would significantly alter the facility program plan or the design plan and building functionality must be reviewed and approved by both the building committee and the Board.

3.5. Construction

Once the bids are approved by the building committee and the financing plan is in place, the project proceeds to construction.

4. Capital Improvement List

As part of the annual budget requests, the institutions will be asked for prioritized capital project lists for academic and for revenue projects. The lists will provide estimated costs as well as the proposed fund sources. Projects placed on the capital improvement list should not be placed on maintenance and repair lists.

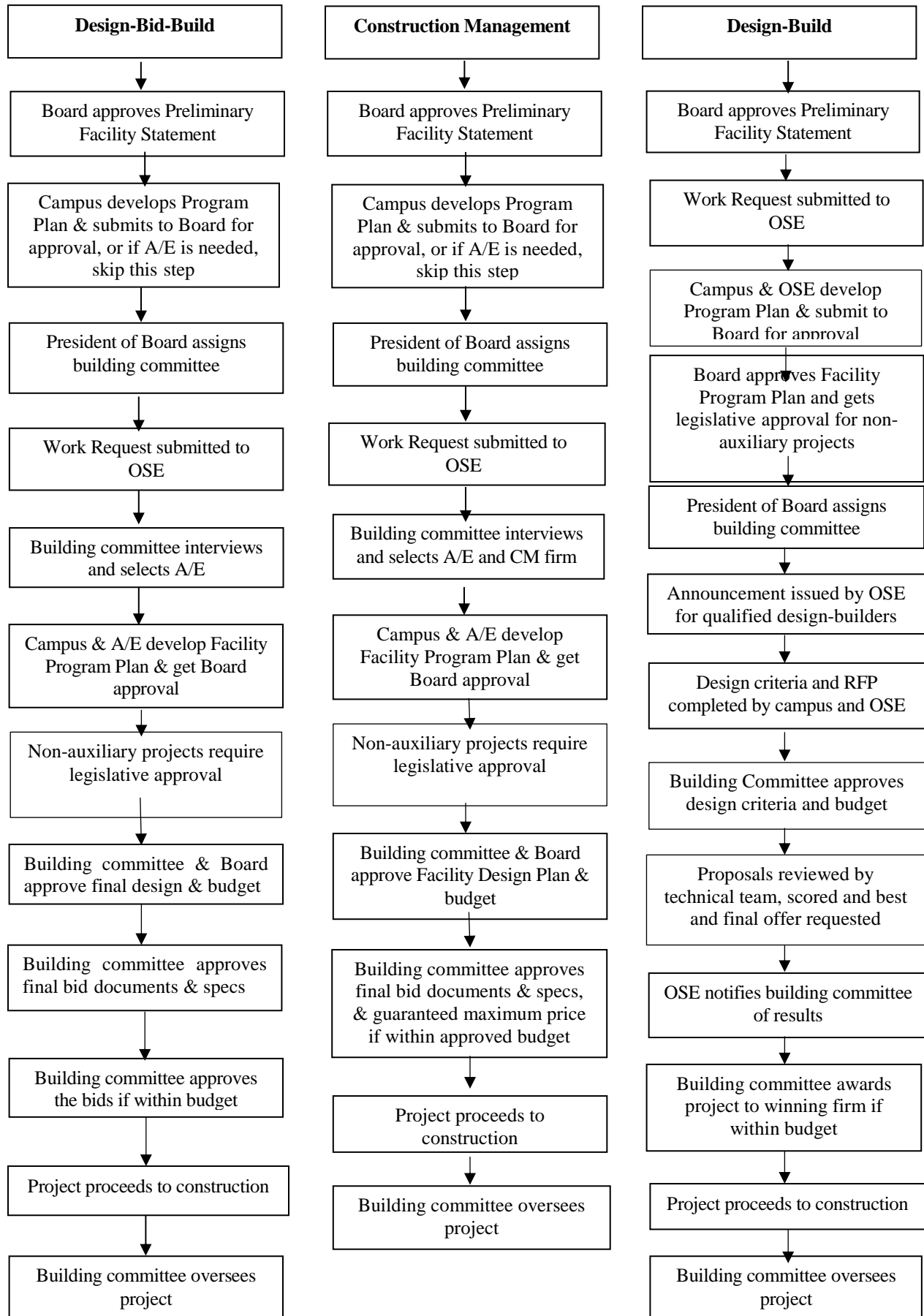
- 4.1. A capital improvement status report will be provided to the Board at each meeting identifying the status and stage of each active capital improvement project.

5. Bureau of Administration Responsibility

The Bureau of Administration shall be responsible for all capital improvements pursuant to SDCL § 5-14-2 and the funds appropriated shall be paid on warrants drawn by the state auditor on vouchers duly approved by the Bureau of Administration, the authorized representative of the institution and the board.

6. **Construction Methodologies**

The following flowchart identifies the approvals necessary using the common building methods used by the state and the Board.



FORMS/APPENDICES:

None.

SOURCE:

BOR June 1991; September 1991; April 1992; September 1992; December 1993; March 1995; October 1996; October 1998; December 2000; October 2002; March 2004; August 2006; April 2007; June 2010; August 2017; December 2018; August 2019.