

# SOUTH DAKOTA BOARD OF REGENTS

## Policy Manual

**SUBJECT:** Capital Improvements

**NUMBER:** 6.4

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### **A. PURPOSE**

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

### **B. DEFINITIONS**

- 1. Capital Improvement:** Any addition, renovation, remodel, or maintenance and repair project that has a total cost of \$5.0M or more, including all related phase, shall be classified as a capital improvement. All new construction or any addition beyond mechanical space, regardless of building size or total project cost, will be considered a capital improvement (SDCL 5-14-1 and 5-14-3).

### **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 the applicable building codes or other suitably documented safety standards.

## **3. Review and Approval of Capital Improvements Requests**

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. The Board will appoint a building committee upon approval of the Preliminary Facility Statement. In any phase of a project in which Board approval is not required but building committee approval is required, a building committee may refer the decision of the committee to the Board for review and approval.

3.1. Preliminary Facility Statement - Requests to the Board of Regents 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. The building committee must approve the program plan before sending to the BOR for approval. In most cases, 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:
- Initial cost estimates and 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;
  - 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 and submitted to the Board at the Board’s next regularly scheduled meeting for informational purposes. Once this step is complete the project can continue through construction as long as the project cost is within the legislative authority. 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.

#### 3.4. Facility Bid Documents

The campus must submit a report to the Building Committee and BOR notifying them of the bid date or guaranteed maximum price (“GMP”) and project budget. Once the bid or GMP for construction manager projects is received, the campus must provide a notification to the building committee of actions taken as a result of the bid process).

- 3.4.1. If either the final cost estimates or the bids, including a reasonable contingency, are within one hundred fifteen percent of the previously approved estimated project cost and funds are available, the project can proceed.
- 3.4.2. The campus 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 or increase the project cost estimate in excess of one hundred fifteen percent of the previously approved estimated project cost must be reviewed and approved by both the building committee and the Board.

#### 3.5. Construction

The project proceeds to construction once the financing plan is in place.

### 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.

<b>Design-Bid-Build</b>	<b>Construction Management @ Risk</b>	<b>Design-Build</b>
Campus selects design firm to conduct space planning and architectural programming (optional)	Campus selects design firm to conduct space planning and architectural programming (optional)	Campus selects design firm to conduct space planning and architectural programming (optional)
Campus Prepares Preliminary Facility Statement for a Capital Project	Campus Prepares Preliminary Facility Statement for a Capital Project	Campus Prepares Preliminary Facility Statement for a Capital Project
Board Approves Preliminary Facility Statement	Board Approves Preliminary Facility Statement	Board Approves Preliminary Facility Statement
BOR President Assigns Building Committee	BOR President Assigns Building Committee	BOR President Assigns Building Committee
Submit Work Request to BOR/OSE (for planning purposes or the full project)	Submit Work Request to BOR/OSE (for planning purposes or the full project)	Submit Work Request to BOR/OSE (for planning purposes or the full project)
Building Committee Interviews & Selects Architect/Engineer	Building Committee Interviews & Selects Architect/Engineer	Campus & OSE Interviews, Selects/Procures Criteria Developer
Programming & Schematic Design Completed by Campus/OSE/AE	Programming & Schematic Design Completed by Campus/OSE	Programming & Criteria Development & Concept Preparation
Design Development Completed by Campus/OSE/AE (optional)	Design Development Completed by Campus/OSE (optional)	Design Criteria & RFP for Design-Builder Completed by Campus, OSE, & Criteria Developer
Campus Develops Facility Program Plan	Campus Develops Facility Program Plan	Campus develops Facility Program Plan
Building Committee and BOR Approves the Facility Program Plan	Building Committee and BOR Approves the Facility Program Plan	Building Committee and BOR Approves the Facility Program Plan (optional)
Gain Legislative Approval (Note: Legislative approval may be obtained at PFS, FPP, or FDP)	Gain Legislative Approval (Note: Legislative approval may be obtained at PFS, FPP, or FDP)	Gain Legislative Approval (Note: Legislative approval may be obtained at PFS, FPP)

Submit Work Request to BOR/OSE (for the full project if not submitted before)

Submit Work Request to BOR/OSE (for the full project if not submitted before)

OSE Solicits for Design Build Firms for Pre-Qualification

Project proceeds through design development

Building Committee Interviews & Selects Construction Manager

Building Committee Approves Design Criteria, Budget, and List of Pre-qualified Firms

Campus Prepares Facility Design Plan

Project proceeds through design development

Pre-Qualified Firms Distributed RFP and Design Criteria to Provide Competitive Design-Build Proposals

Campus submits Facility Design Plan to Building Committee for approval.

Campus Prepares Facility Design Plan

Proposals Reviewed and Scored by OSE/Campus

Campus submits Facility Design Plan to BOR as information item for a regularly scheduled BOR meeting if within 115% of originally approved project cost. Obtain Board approval if exceeds 115%.

Campus submits Facility Design Plan to Building Committee for approval.

Proposals Reviewed and Scored by OSE/Campus

Project Proceeds through Construction Documents

Campus submits Facility Design Plan to BOR as information item for a regularly scheduled BOR meeting if within 115% of originally approved project cost. Obtain Board approval if exceeds 115%.

Design-Build Firm Selected to Provide Best & Final Offer

Campus Notifies Building Committee and Board of Regents that Plan & specifications are complete, and project will proceed to bidding (notification becomes information item for regularly scheduled BOR meeting)

Design Continues and Campus/OSE/AE/Contractor develop project design to secure Guaranteed Maximum Price

Campus provides report to BOR of pre-qualification process and selection of design-build firm (report is shared as information item to BOR at regularly scheduled meeting if within 115% of originally approved project cost. Obtain Board approval if exceeds 115%.)

Project is Bid

Guaranteed Maximum Price Established

Project Proceeds through Design, Bidding, & Construction

Campus Notifies Building Committee and Board of Regents of bid results, negotiations made (if applicable), and project budget (notification becomes information item for regularly scheduled BOR meeting if within 115% of originally approved project cost. Obtain Board approval if exceeds 115%.)

Campus Notifies Building Committee and Board of Regents that plans & specifications have been developed to sufficient detail and Guaranteed Maximum Price has been established with Construction Manager (notification becomes information item for regularly scheduled BOR meeting if within 115% of originally approved project cost. Obtain Board approval if exceeds 115%.)

OSE Oversees Project

\*If not within Legislatively Approved Spending Authority or project must be redesigned significantly then the revised project must be reviewed and approved by the Building Committee

Project proceeds through final design, bidding, and award of bid packages (may be completed in stages)

Project proceeds to Construction and Occupancy

Project proceeds to Construction and Occupancy

OSE Oversees Project

OSE Oversees Project

**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; June 2022; October 2023 (Clerical).