

OSU 10-YEAR CAPITAL FORECAST PROCESS

MAR 2022



Background

Oregon State University's Capital Forecast (Forecast) is a 10-year rolling forecast that supports OSU's vision, mission and strategic plan. It is updated annually to reflect OSU's evolving priorities and to respond to opportunities. The Forecast is an instrument with the purpose of short-term and long-range planning for investment in buildings, landscapes and other infrastructure. Using this tool, the university considers the strategic benefits of various capital project options; models and benchmarks against the Board of Trustee-approved financial metrics; and tests the affordability of capital acquisitions, construction and renewal projects. The Forecast includes minor (projects between \$100.0 thousand - \$5.0 million) and major (projects greater than \$5.0 million) capital investments. The Forecast is not a list of capital projects that are approved for acquisition, design, construction or renewal.

The Forecast covers five biennia, summarizing the general scope of activities to acquire, develop, renew and/or improve a capital asset; estimated costs; and the proposed source(s) of funds. Estimated project costs are based on historical and current data, which are then escalated five percent annually across the Forecast.

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Background, continued

The staff of Capital Planning and Development and members of the Infrastructure Working Group (IWG) draft the Forecast. The Capital Plan Review Group (CPRG), the Provost's Senior Leadership Team, the Provost's Council of Deans, and staff within the Division of Finance and Administration refine the Forecast for consideration by the Vice President of Finance and Administration, and the Provost and Executive Vice President, who make a recommendation to the President for approval. The Forecast is integrated into the 10-year Business Forecast that is reviewed and accepted by the Board of Trustees in January of even-numbered years.

Priorities

The overarching goal for OSU's 10-year Capital Forecast is to advance the university's mission, vision and strategic plan. The process for reviewing and updating the Forecast is designed to be comprehensive, consistent, consultative, transparent and efficient.

Each year, the IWG and OSU Leadership determine the emphases for the year's Capital Forecast by developing priorities that help align the views and aspirations of OSU's Executive Leadership with the development of the year's Capital Forecast update. These priorities are then applied as University Facilities, Infrastructure and Operations staff discuss capital needs and aspirations with OSU's Deans and major department leaders, and as the IWG projects.

Principles

Evaluation of each project is based on four primary criteria. More specifically:

1. Advancing OSU's Strategic Plan: Proposed project must make a critical contribution to the advancement of OSU's Strategic Plan 4.0 and support the proposing unit's strategic direction. The proposal should address the contribution that the capital project will make towards achieving four main goals:
 - Preeminence in research, scholarship and innovation.
 - Transformative education that is accessible to all learners.
 - Significant and visible impact in Oregon and beyond.
 - A culture of belonging, collaboration and innovation.
2. Minimizing the Impact on Environmental and Financial Resources: Proposed projects also will be evaluated for their effect on the cost of operating our campuses and facilities and their impact on the environment.
 - Projects should increase space efficiency, use less energy, and require less operational cost to maintain and renew.
 - New buildings should only be considered when absolutely required.
 - Projects that contribute to reducing energy usage and promote renewable energy and carbon reduction should be emphasized.

Principles, continued

3. Cultivating a Safer, More Equitable, Accessible and Welcoming Environment: Proposed projects should advance OSU's commitment to our students, staff, visitors and community that OSU is a safer, more accessible and welcoming place for all.
 - Projects should consider how facilities and infrastructure and the living, learning, teaching, research and other uses they will support will contribute to and support equitable outcomes for students and employees of color, students and employees with disabilities, first generation students, and students with high financial need.
 - Projects should reduce physical and perceived barriers and advance safety and well-being.
 - Projects should improve access and internal circulation to our campuses and facilities for all modes of transportation with an emphasis towards sustainability, accessibility and equity.
 - Projects should address building and infrastructure renewal, reliability and preservation as well as seismic and fire-life safety.
4. Leveraging Funding: If proposed projects advances one or more of the other principles, projects that have the ability to attract private gifts, grants, state bond and other outside funding should be emphasized.

Special attention is paid to:

- The OSU Corvallis Campus Vision and OSU-Cascades long range development plan;
- The development of multi-use, multi-unit facilities that create efficiencies, enhance collaboration and inspire innovation.

Within the Forecast are five biennial Capital Plans that include proposed funding strategies for the projects. Detailed information includes the estimated cost of all activities to acquire, design, construct, renew and/or improve the capital asset. This detail provides a heightened level of transparency to inform the university community about proposed capital projects and improvements. The Forecast becomes a component of OSU's 10-year Business Forecast, which is reviewed and accepted by the OSU Board of Trustees in January of even years.

The Forecast:

- Assesses resource requirements and financial capacity constraints, while also considering revenue generating and/or cost control value of capital investments.
- Includes a realistic implementation schedule, addresses space allocation needs, addresses civic outreach expectations and considers other essential impacted infrastructure (e.g. parking, transportation).

Project development reports are the source of the information by which the Infrastructure Working Group evaluates major capital requests. A financial *pro forma* is evaluated for each project in conjunction with the university's operating forecast to understand its impact on the university's financial health.

The Forecast provides a current view of capital projects that meet the aforementioned criteria, however, inclusion does not constitute authorization to proceed with any phase of the proposed capital investment.

The decision to proceed with a major capital project (exceeds \$5 million) must be recommended by the Provost, Executive Vice President and the Vice President for Finance and Administration to the President for approval and be accepted by the Board of Trustees.

Once the project is on the Forecast, it may begin to move through the capital planning and development process, beginning with the execution of a Project Agreement and the beginning of the project programming stage.

The Board receives an annual report on the status of capital projects at the autumn Board meeting. At the final completion phase of a capital project, all remaining funds will be redistributed based on priority needs, subject to any fund restrictions.

Capital investments of opportunity could arise between Board of Trustee approvals of the Forecast. Such capital construction opportunities may be considered by the Provost and Executive Vice President and the Vice President for Finance and Administration as an addition/substitution if funds are secured for the total capital project cost and associated incremental operating costs. The President approves these opportunities. investments If the cost of these projects exceed \$5M, then Board of Trustee approval is required.

Process for Annual Review and Update

The Forecast is reviewed and updated annually in the autumn. The Forecast is a list of potential projects over a 10-year period that may be removed, added or modified in subsequent review cycles, as circumstances change.

CHARACTERISTICS

The process for reviewing and updating the OSU Capital Forecast has the following characteristics:

- **Comprehensive:** Provides an opportunity for all units on campus to submit proposals for capital projects to advance their contributions to the Strategic Plan.
- **Consistent:** Ensures that all projects are subjected to the same scrutiny for technical and financial feasibility, relevance to the strategic plan, long-term costs and alternative solutions.
- **Consultative:** Solicits comment and input from the principal representative leadership groups on campus, particularly the Provost's Council of Deans, the Division of Finance and Administration Council, the Faculty Senate Executive Committee and ASOSU. The process reserves the authority for final decisions about projects to the Provost and Executive Vice President, the Vice President for Finance and Administration, President and Board of Trustees.
- **Transparent:** Shares the process for developing project proposals, the result of project reviews and the reasons for final decisions with the OSU community.
- **Efficient:** Encourages consistent, effective and prompt review of projects and advancement of key opportunities.

PROCESS

The process for the annual update, review and approval of the Forecast includes the following key steps (also see Appendix 1):

1. **Identification of possible projects:** Projects are identified in three principal ways, as listed below.
 - a) Responses to the annual solicitation to campus managed by Capital Planning and Development (CPD) to provide opportunities for all units to submit project proposals. This is usually be done during late spring and early summer.
 - b) Projects identified by CPD and Facilities Services (FS) as important improvements for health, safety, space efficiency, capital renewal, and other criteria. This project list is maintained and updated by CPD.
 - c) Projects of opportunity that are identified "out-of-cycle" from the solicitation because of donor interest, state or federal mandates, or decisions by OSU senior leadership. Projects developed by units "out-of-cycle" will normally be reviewed at the next spring solicitation cycle, but urgency may require earlier consideration.

Process for Annual Review and Update, continued

2. Project review – Project undergo a technical, financial and project type review.
 - a) Technical Review: Proposed projects are initially reviewed by CPD for thoroughness, technical feasibility, compliance with OSU’s Corvallis Campus Vision and other criteria identified in the original solicitation. CPD assists in collecting and providing data that inform the prioritization process. If the project is to be funded in whole or part by private donations, a feasibility assessment from the OSUF must be provided by the proposing unit. CPD may return proposals to units for additional clarity and information; or to solicit necessary additional detail from the proposing units.
 - b) Pro Forma Review: The financial *pro forma* for the project, including incremental annual revenues generated and cost of recurring operations and maintenance associated with the project, is prepared by the Office of Budget and Fiscal Planning, who will work with proposing unit leadership to ensure that the *pro forma* is comprehensive and financially viable.
 - c) Project Type: CPD sorts the proposed projects by type - academic, campus community or infrastructure projects.
 - i. Academic projects include space for faculty, students, classrooms, laboratories or space devoted primarily to student support.
 - ii. Campus community projects include housing, athletics facilities, administrative space or support space.
 - iii. Infrastructure projects include roads, steam lines, lighting, utility tunnel improvements, etc.
 - iv. Capital improvement and renewal projects such as roofs; heating, ventilation and air conditioning (HVAC) systems; and elevator replacement.
3. Infrastructure Working Group (IWG) Review and Prioritization: All major capital projects are reviewed and prioritized by the IWG using the criteria described earlier. The Forecast is drafted based on IWG priorities, fiscal boundary conditions, project timelines and project sequencing needs. An analytical hierarchy ranking process results in a recommended priority of capital projects to university leadership prior to submission to the Higher Education Coordinating Commission (HECC). Major capital project requests are submitted to the HECC in the spring of even years for consideration for state bond funding. Membership and purview of the working group is summarized later in the document.
4. Capital Plan Review Group Review: The draft Forecast is reviewed by the Capital Plan Review Group (Review Group). The Review Group may solicit comments from other key leadership groups, including the Faculty Senate Executive Committee and ASOSU. The Review Group seeks any necessary clarifications or additional information from appropriate campus units, including fundraising feasibility, impact on institutional debt ratios and financial forecasts, review of detailed project *pro formas* and site proposals. Membership and purview of the working group is summarized later in the document.
5. Executive Leadership Review and Approval: The draft Forecast is reviewed, modified, and approved by the Provost and Executive Vice President and the Vice President for Finance and Administration, who recommend that the President seek approval from the Board of Trustees. The Provost and Executive Vice President and the Vice President for Finance and Administration may request additional information from the Capital Plan Review Group, CPD, and/or others; and shares their final decisions with the appropriate leadership groups.

Process for Annual Review and Update, continued

6. Recommendations Forwarded: The President seeks acceptance of the Forecast from the Board of Trustees.
7. Project Execution: The Vice President for Finance and Administration has responsibility for approving to proceed with a capital project in the Forecast. Projects may be moved up, delayed or revised in response to changing circumstances or resources. Inclusion of a project in the Forecast is not a guarantee that the project will be completed. The Vice President for Finance and Administration delegates the next step of project execution, namely project programming, to CPD and other units, as appropriate.
8. Annual Report: An annual report is provided in the autumn of each year to the Board of Trustees on the status of major capital projects.

Infrastructure Working Group

The Provost and Executive Vice President and Vice President for Finance and Administration established the Infrastructure Working Group (IWG) to, in part, create a draft OSU 10-Year Capital Forecast (Forecast) annually.

The IWG assists in the following:

- Reviews and prioritizes annual capital solicitation requests from Colleges, OSU campuses, statewide programs, and all administrative units.
- Develops a draft Forecast.
- Reviews and improves capital project solicitation guidelines every three years (*last updated - summer 2018*).
- Considers space and infrastructure constraints and improvement opportunities.
- Engages in campus master planning activities.
- Validates biennial minor capital improvement and renewal plans.

The IWG is co-chaired by the Associate Vice President for University Facilities, Infrastructure and Operations and a dean. Deans—one per division—serve two year terms, as does the faculty representative. Other working group members include:

- Senior Vice Provost for Faculty Affairs
- Vice Provost for Information and Technology
- Vice President and Director of Intercollegiate Athletics
- Vice President for OSU-Cascades
- Vice President for Research
- Vice Provost for Student Affairs
- Director of University Housing and Dining

Capital Plan Review Group

The Capital Plan Review Group performs the following functions:

- Consults with the IWG and other key leadership groups for comment on proposed projects.
- Assesses impacts of the Forecast on the debt policy ratios established by the Board of Trustees and OSU's 10-year Business Forecast.
- Provides recommendations to the Provost and Executive Vice President and Vice President for Finance and Administration for updates and revisions to the Forecast.

OSU Capital Plan Review Group consists of:

- Chair, Director OSU Budget and Fiscal Planning
- Associate Vice President for Finance and Controller
- Associate Vice President for University Facilities, Infrastructure and Operations
- Director of Treasury

Appendix 1. Process for the annual update, review and approval of the 10-year Capital Forecast

