

## Capital Project Planning



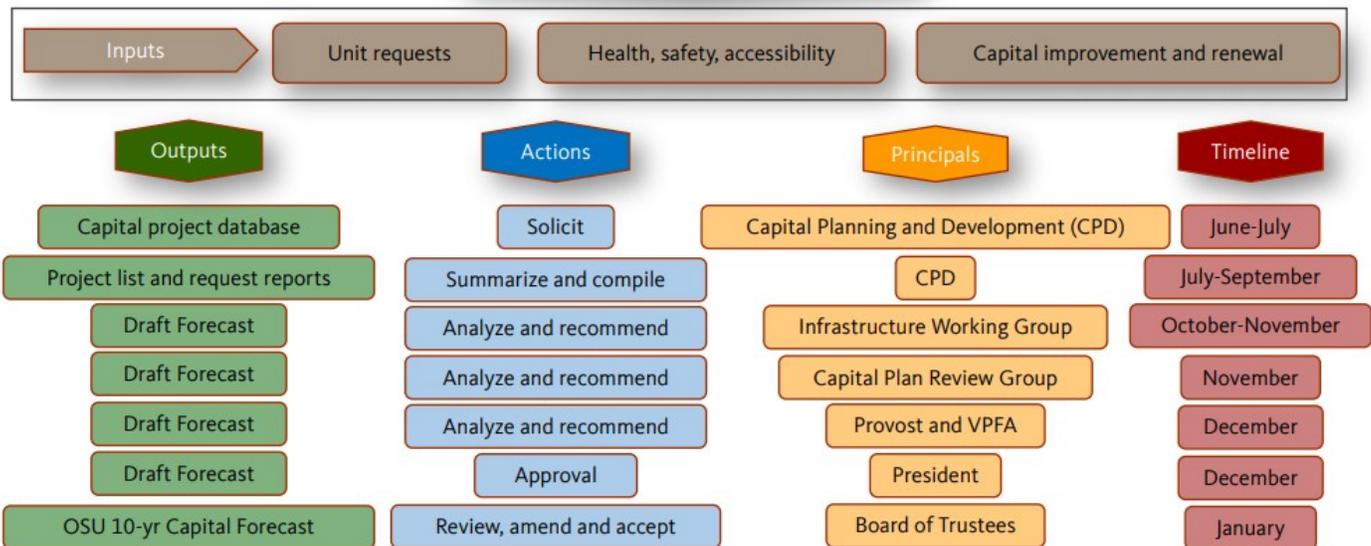
### What is a capital project?

A capital project is identified as a major asset (value of \$100,000 or greater) that has a useful life of more than one year. Typical examples of major assets are land improvements, buildings, building improvements, and infrastructure.

### What is the process for getting a capital project on the capital forecast?

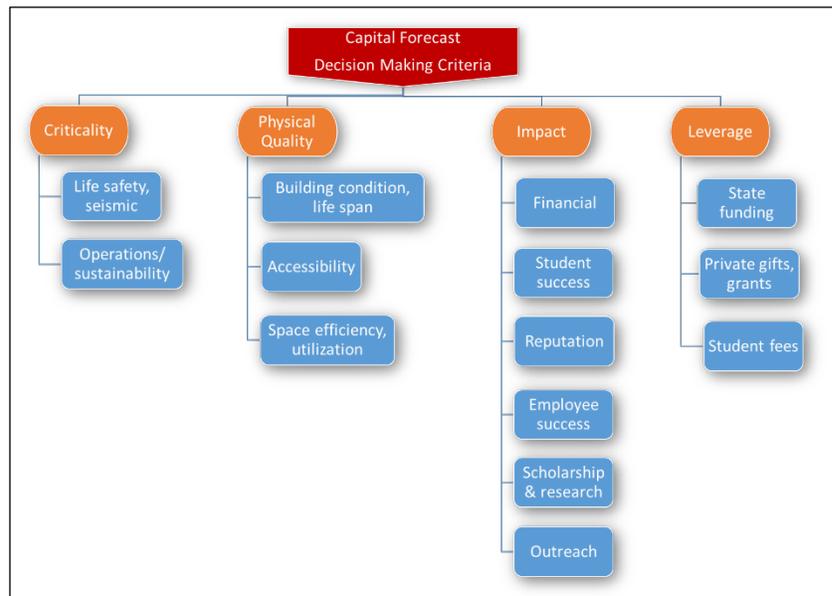
The Infrastructure Working Group (IWG) is charged by the Provost and Vice President for Finance and Administration to develop the Capital Forecast using Strategic Plan 4.0 as the lens for prioritization. The group reviews and prioritizes all major capital projects (over \$5M), regardless of fund or operation (Corvallis, Cascades, and SWPS E&G; self-supports, grants; gifts). In support of the IWG process, University Facilities and Infrastructure Operations (UFIO) conducts interviews with every dean and major department to understand specific infrastructure needs.

### OSU 10- Year Capital Forecast Process



### Decision Making Criteria:

Projects are assessed on how they advance the University’s and HECC’s strategic priorities; how they leverage other resources, such as gifts; whether they are financially viable (considering the total construction and operating costs); and whether they resolve critical life safety, compliance, or accessibility needs. UFIO is responsible for prioritizing smaller capital projects, particularly those that address deferred maintenance issues.



### How much does a capital project cost?

Many factors go into determining the cost of a capital project: the size of building, the types of space in the building, the costs of financing, the design and management of the project, any remediation or special site studies, etc. Capital project costs that are often forgotten or hard to estimate in the planning phase include:

- OSU Foundation administration fee for gift funds – 5%
- Project Management Fee – Capital Projects & Development assessment
- New projects long-term operations & maintenance funding paid from the general fund of the university - \$6 to \$12 per square foot, depending on the type of building
- Furniture and equipment – Is this expense in the project plan or will it be funded separately?
- Surprises when an old building is opened up for renovation.
- Requirements from the city or code for associated improvements and changes (asbestos removal, parking offsets, adjacent roadway improvements, etc.
- Does the project require any extraordinary environmental studies or require examination by an external group(s) that may delay the project? Are there special room needs (shielding, vibration-free, etc.)
- Fees for financing, for debt issuances or internal bank loans before state or donor funds are available

### How do you pay for capital projects?

Capital projects are paid from a variety of sources, many of them from funds other than E&G operating funds.

- Gifts from private donors
- State bonds which can include state-paid bonds ( Article XI-G bonds which require a match from the university, Article XI-Q bonds or Lottery Bonds) and institution-paid bonds (Article XI-F bonds)
  - State funding requests are prioritized by the HECC from ranked lists of requests from the universities. OSU submits a list in spring, 2022 for the full legislative session in spring, 2023<sup>1</sup>.
  - State-paid bonds are sold in the spring of the biennium after they are approved (so spring 2025 for the approvals in the 2023 legislative session.
- Revenue Bonds – are paid back out of operating revenues (either E&G or self-support); are backed by a general or specific revenue pledge of the university; and require OSU to obtain and maintain a positive credit rating. No legislative action is required but requires Board of Trustees approval. Using debt of any kind requires having resources to pay back the debt and having sufficient borrowing capacity within the university.
- The university (or units in the university) can also commit cash reserves, building use credits, or other sources of one-time funds (remembering there are ongoing operating costs incurred with any new buildings).
- Internal Bank loan - if there is sufficient cash capacity. OSU's borrowing capacity is limited.

### Capital renewal vs new construction?

The steps and sources of funding are similar for both, but OSU is prioritizing renovation and renewal of facilities where appropriate. This includes eventually allocating an additional \$45M of E&G funding for debt service and cash outlays for capital renewal projects. The first allocation of \$5M was made in FY18. Renovation and renewal are also of high interest to the legislature and the HECC.

### What are the steps and how long does it take?

This depends greatly on the complexity and cost of a project, the timing of funding sources (particularly gifts), issues with the site or local governments, and a host of other things. The total time it can take for a capital project to move through the process starting with the IWG, capital forecast, receiving funding, design and planning, and construction until move in could be upwards of 6 years.

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<sup>1</sup> The HECC criteria include: alignment with strategic plans; HECC priorities (capacity constraints, student completion, research and economic development, collaboration); cost savings (including removing deferred maintenance); life, safety, code compliance; institutional priority; identified student focus; leveraging dollars (as in gifts or institutional funds).