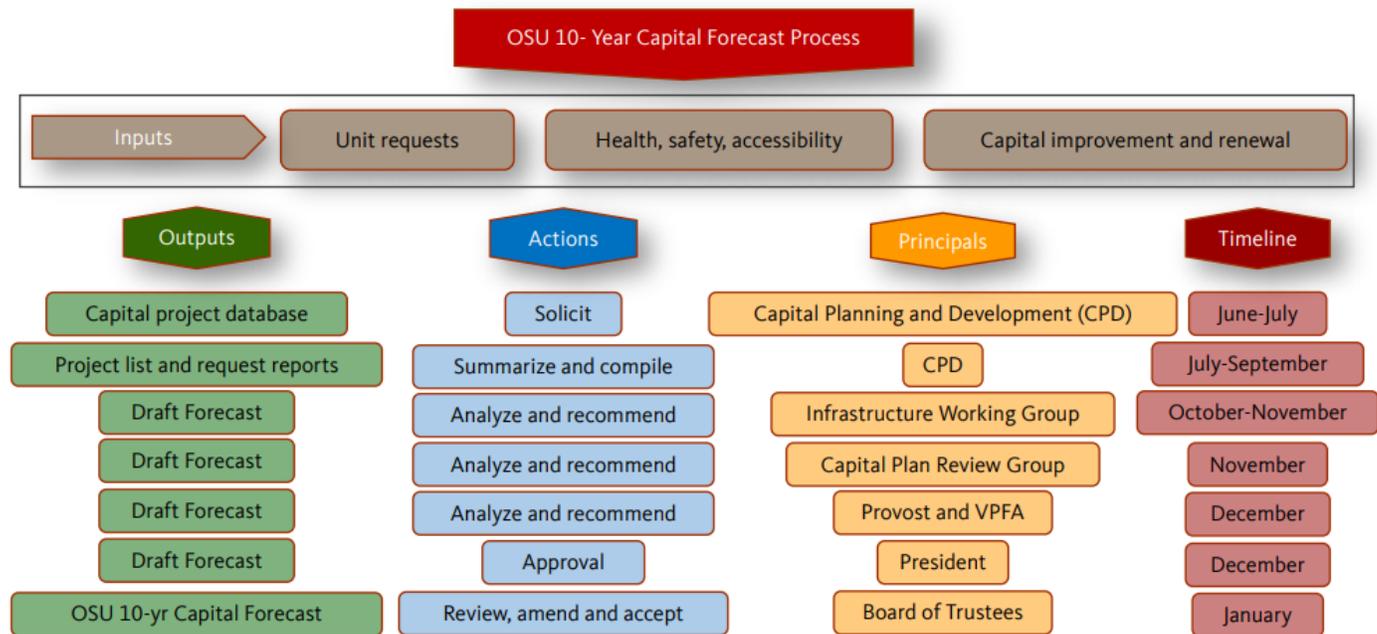


What is a capital project?

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.

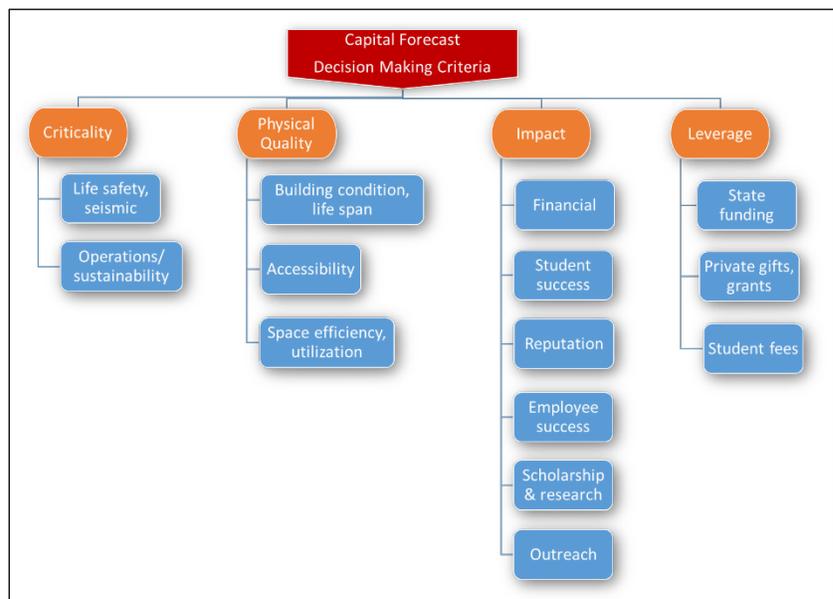
What is the process for getting a capital project on the capital forecast?

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). 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.



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%
- Stewardship funding requirement for a building's future maintenance and repair – 10%
- 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 – Is this expense in the project plan or will it be funded separately?
- Does the project require any extraordinary environmental studies or require examination by an external group(s) that may delay the project?
- Fees for financing, if incurring debt or needing internal bank loans before donor funding is 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:
 - Article XI-G bonds - require a match from the university
 - Article XI-Q bonds
 - Lottery Bonds
- Revenue Bonds -
 - Paid back out of operating revenues (either E&G or self-support)
 - Revenue bonds can be backed by a general or specific revenue pledge of the university
 - Requires OSU to obtain and maintain a positive credit rating
 - No legislative action required but requires Board of Trustees approval
- 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

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 (the state approves bonds in the spring of odd years usually, but does not sell the bonds until two years later at the end of a biennium), 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.

Effects of COVID on the Capital Forecast?

The primary effect of the COVID-19 pandemic on the Capital Forecast is the slowing of growth in OSU's self-funded Capital Improvements and Renewal (CIR) program.

To stay within funding parameters, the pace of renovations, particularly in the latter half of the forecast, has been reduced. The plan keeps pre-COVID pace of minor (<\$5M deferred maintenance) projects to advance in areas such as carbon reduction, solar power projects, roof replacements, safety systems upgrades, accessibility improvements, street and pedestrian safety, and infrastructure renewal.