

**BUSINESS AFFAIRS AND HUMAN RESOURCES**  
**AUGUST 23, 2023**

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**SUBJECT**

Board Policy Section V.K. Construction Projects – First Reading

**REFERENCE**

April 2014	The Idaho State Board of Education (Board) approved first reading of proposed amendments to policy V.K.
June 2014	Board approved second reading of proposed amendments to policy V.K.
June 2015	Board approved first reading of proposed amendments to policy V.K.
August 2015	Board approved second reading of proposed amendments to policy V.K.

**APPLICABLE STATUTE, RULE, OR POLICY**

Idaho State Board of Education Governing Policies & Procedures, Section V.K

**BACKGROUND/DISCUSSION**

Board Policy V.K. outlines the authority limits for institutions when undertaking construction projects. Proposed changes include increases to approval limits as well as providing needed definitions and clarifications regarding the approval process.

Proposed increase approval limits:

Approval limits of Original Project Costs:

- Increase Local Agency approval limits from \$500,000 to \$1 million.
- Increase Executive Director approval limits from \$500,000 - \$1 million to \$1 - \$2 million;
- Board approval is required for transactions over 2 million.

Approval limits for Cumulative Value of Change(s) of Aggregate Revised Project Costs for Projects Originally Authorized by Local Agency:

- Increase Local Agency approval limits from \$500,000 to \$1 million.
- Increase Executive Director approval limits from \$500,000 - \$1 million to \$1 - \$2 million;
- Board approval is required for transactions over \$2 million.

Approval limits for Cumulative Value of Change(s) of Aggregate Revised Project Cost for Projects Originally Authorized by Executive Director:

- Increase Local Agency approval limits from \$500,000 - \$1 million to \$1 - \$2 million;
- Board approval is required for transactions over \$2 million.

Approval limits for Cumulative Value of Change(s) of Aggregate Revised Project Cost for Projects Originally Authorized by State Board of Education (SBOE):

- Increase Local Agency approval limits from \$500,000 to \$1 million.

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- Increase Executive Director approval limits from \$500,000 - \$1 million to \$1 - \$2 million;
- Board approval is required for transactions over \$2 million.

Proposed changes also include a requirement that design-build projects include a preliminary project budget and financing plan to be submitted when an institution requires approval to utilize the design-build method.

Proposed changes also require that if a project budget increases above the total Board or executive director authorized amount by 5% or more, then the institution will be required to request further authorization.

**IMPACT**

Approval of the proposed amendments would provide updated guidelines and increase approval limits to higher, more suitable contemporary pricing thresholds.

**ATTACHMENTS**

Attachment 1 – Proposed Policy Amendment V.K. Construction Projects – First Reading

**STAFF COMMENTS AND RECOMMENDATIONS**

The changes primarily consist of increasing delegated authority approval limits authorized by a Local Agency or the Board's Executive Director. These higher limits pertain to Original Project Costs, Cumulative Value of Change(s), and Aggregate Revised Project Costs. Increasing these limits appropriately reflect changes in the construction industry over the past eight years. The previous revision of this policy dates back to August 2015.

Staff recommends approval.

**BOARD ACTION**

I move to approve the first reading of proposed amendments to Policy V.K. as provided in Attachment 1.

Moved by \_\_\_\_\_ Seconded by \_\_\_\_\_ Carried Yes \_\_\_\_\_ No \_\_\_\_\_

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1. Authorization Limits

~~Without regard to the source of funding, b~~Before any institution or agency under the governance of the Board begins to make capital improvements, either in the form of alteration and repair to existing facilities or construction of new facilities, it must be authorized based on the limits listed below. “Alteration” means a limited construction project for an existing facility that comprises the modification or replacement of one or a number of existing building systems or components. “Repair” means work that corrects deterioration or damage to a facility or to existing building systems or components in order to restore it to its condition prior to the deterioration or damage.

Projects requiring executive director or Board approval must include a project budget detailing the estimated project costs, including costs separate budget line for architects, engineers, ~~or and~~ construction managers and engineering services ~~for the project cost~~. Alteration and repair projects funded entirely by an appropriation through the permanent building fund are approved through the Board’s annual approval of an institution’s or agency’s operating budget and do not require separate approval under this policy, except as may be required under Paragraph 5.

Project Originally Authorized By	Original Project Cost	Cumulative Value of Change(s)	Aggregate Revised Project Cost	Change Authorized By
Local Agency	< <del>\$500,000</del> <u>1 million</u>	Any	< <del>\$500,000</del> <u>1 million</u>	Local Agency
Local Agency	< <del>\$500,000</del> <u>1 million</u>	Any	<del>\$500,000-</del> <del>\$1,000,000</del> <u>1 - 2 million</u>	Executive Director
Local Agency	< <del>\$500,000</del> <u>1 million</u>	Any	> <del>\$1,000,000</del> <u>2 million</u>	SBOE
Executive Director	<del>\$500,000</del> <u>1 - \$1,000,000<u>2 million</u></u>	<= <del>\$500,000</del> <u>1 million</u>	<= <del>\$12,000,000</del> <u>12,000,000</u>	Local Agency
Executive Director	<del>\$500,000-</del> <del>\$1,000,000</del> <u>1 - 2 million</u>	Any	> <del>\$12,000,000</del> <u>12,000,000</u>	SBOE
SBOE	> <del>\$12,000,000</del> <u>12,000,000</u>	< <del>\$500,000</del> <u>1 million</u>	Any	Local Agency
SBOE	> <del>\$12,000,000</del> <u>12,000,000</u>	<del>\$500,000</del> <u>1-\$2 million</u> <del>1,000,000</del>	Any	Executive Director
SBOE	> <del>\$1,000,000</del> <u>2 million</u>	> <del>\$1,000,000</del> <u>2 million</u>	Any	SBOE

2. Major Projects - Capital Construction Plans

- a. Institutions and agencies under the governance of the Board wishing to undertake construction projects involving construction of new facilities or significant, long-term renewal improvements to existing facilities ~~capital construction projects~~ shall submit annually to the Board for its approval a six-year capital construction plan (the “Plan”). The Plan shall span six fiscal years going forward starting at the fiscal year next. The Plan shall include only capital construction projects for which the

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total cost is estimated to exceed ~~one-two~~ million dollars (\$~~12~~,000,000) (~~“Major Projects”~~), without regard to the source of funding (~~hereinafter, “major projects”~~). ~~Alteration and repair to existing facilities are not required to be included on the Plan but such projects shall be reported to the Board when undertaken.~~ Inclusion on the Plan ~~A Plan~~ shall constitute notice to the Board that an institution or agency may bring a request at a later date for Board approval of one or more of the projects included in its approved Plan. Board approval of a Plan shall not constitute approval of a project included in the Plan.

- b. ~~Before any institution or agency under the governance of the Board solicits, accepts or commits a gift or grant in support of a specific major project, such project must first be included on the institution’s or agency’s Board-approved six-year Plan.~~

~~c.~~ If a ~~major~~ Major project ~~Project~~ is not included in a Plan and an institution or agency under the governance of the Board desires to obtain approval of the ~~major~~ Major p ~~Project~~, before seeking approval, it shall first bring an amended ~~plan~~ Plan to the Board for approval at a regularly scheduled meeting of the Board. If a potential donor offers an unsolicited gift to an institution or its affiliated foundation in support of a ~~major~~ Major project ~~Project~~ which is not in an institution’s or agency’s Plan, prior to acceptance of the gift, the institution or agency shall notify the Board’s executive director in writing of the offer, which notice shall include ~~an explanation and justification for the exigency;~~ a detailed statement of purpose and fiscal impact; ~~;~~ and a summary of the terms and conditions of the gift. This notice shall also certify to the executive director that the donor understands and acknowledges that construction of the ~~major~~ Major project ~~Project~~ is subject to the review and approval of the Board.

## 3. Major Projects Approval Process - Design-Bid-Build Projects

- a. Planning and Design

Board approval is required before any institution or agency begins planning and design on a ~~major~~ Major p ~~Project~~ carried out under the traditional “design-bid-build” method. For design-bid-build projects, planning and design encompasses the preparation of architectural and engineering documents and associated budget and schedule information through the completion of the construction documents for bidding. ~~This approval may not be requested concurrently with any other step in the major project approval process.~~ As part of the Board’s approval process for planning and design, the ~~Board may request the~~ institution or agency ~~to~~ may submit a preliminary project budget and financing plan (including pro forma financials, debt/operating expenses ratios, pledges, strategic facilities fees, and other material financial information).

- b. ~~Major Project Approval Process~~ — Project Budget and Financing Plan

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Board approval of a project budget and financing plan (including pro forma financials, debt/operating expenses ratios, pledges, strategic facilities fees, and other material financial information) is required for a ~~major design-bid-build Major project~~ Project. This approval may be requested only after completion of the design and planning process ~~and but~~ may be requested concurrently with approval for construction financing.

c. ~~Major Project Approval Process~~—Construction

Board approval is required to proceed with the construction of a ~~major~~ Major Project. In order to obtain Board approval for construction of a ~~major~~ Major Project, the Board must approve the project budget and financing plan. ~~This Construction~~ approval may be requested concurrently with approval of the project's budget and financing plan.

d. ~~Major Project Approval Process — Final Approval~~—Financing and Incurrence of Debt

Board approval for the financing capital of mMajor projects ~~Projects~~ via the issuance of bonds, or incurrence of any other indebtedness, is required pursuant to Board policy V.F. ~~for a project that has previously received approval for construction. (All other projects financed entirely without indebtedness do not need separate approval for financing.) The Board will not consider concurrent requests for approval for construction and debt financing for the same project. Therefore, institutions seeking approval for project debt financing must bring a request for said approval to a Board meeting subsequent to the meeting at which project construction is approved. This approval may be requested concurrently with approval of the project's budget and financing plan and construction approval.~~

4. ~~Major Projects Approval Process~~ - Design-Build Projects

Although design ~~and~~ build projects are performed by one team, design-build contracts can also allow a series of options to proceed (or not) after completion of the at the design phase and before at the construction phase. ~~For design-build mMajor pProjects, Board approval shall be required prior to issuance of a design-build solicitation, including approval to utilize the design-build method.~~ The approval process for major projects using a design-build contract shall be the same as the approval process required for a design-bid-build contract. ~~Board approval shall first be required to undertake the design and planning phase, including selection of the design-build team.~~ For purposes of such approval, ~~the Board may request a preliminary project budget and financing plan shall be submitted.~~ No additional approval shall be required unless the preliminary budget and financing plan is exceeded. Approval of debt issuance as part of the financing plan is required as provided in Policy V.F. ~~This approval may not be obtained concurrently with subsequent required approvals. Once the design-build team completes the design and construction cost estimates, the institution or agency must then obtain Board~~

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~~approval of the project budget and financing plan and of construction of the project. If debt financing is needed, the institution or agency must submit a request for approval at a subsequent meeting of the Board in the manner set forth in paragraph 3.d., above. An institution may seek approval from the permanent building fund advisory council for use of design-build delivery method prior to or following Board approval, as long as both agencies approve, if required, prior to issuance of a bid.~~

5. Fiscal Revisions to Previously Approved Projects

If a project budget increases above the total Board or executive director-authorized amount by ~~the lesser of 5% or more or \$500,000~~, then the institution or agency shall be required to seek further authorization based on the limits established in paragraph 1, above. Regardless of the authorization level required, the institution shall provide the Board with the amount and reason(s) for the cost overruns and the source of funds.

6. ~~Projects through the Department of Administration;~~ Project Acceptance

Projects under the supervision of the Department of Administration are accepted by the Department on behalf of the Board and the ~~state~~State of Idaho and all contracts and acquisition of goods and services are acquired through the Department of Administration as applicable. Projects conducted through the Department of Administration shall not require approval other than as required under this Policy V.K. Projects under the supervision of an institution or agency are accepted on behalf of the Board and the State of Idaho by the institution or agency and the project architect. Projects under the supervision of the University of Idaho are accepted by the University on behalf of the Board of Regents.

7. Statute and Code Compliance

- a. All projects must be in compliance with Section 504 of the Rehabilitation Act of 1973 and must provide access to all persons. All projects must be in compliance with applicable state and local building and life-safety codes as provided in Chapter 41, Title 39, and applicable local land-use regulations ~~as provided in Chapter 41, Title 39, and as provided in~~ Section 67-6528, Idaho Code.

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- b. In designing and implementing construction projects, due consideration must be given to energy conservation and long-term maintenance and operation savings versus short-term capital costs.

8. Campus Master Plans

Each institution shall develop a seven (7) to fifteen (15) year Campus Master Plan (CMP). The CMP shall serve as a planning framework to guide the orderly and strategic growth and physical development of an institution's campus. The CMP shall be consistent with and support the institution's current mission, core themes, ~~and~~ strategic plan, and six-year capital construction plan. The CMP and substantive updates thereto must be approved by the Board.