

# Capital Expenditure Policy

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*Pacific University*

*Board of Trustees approved 3/7/2015*

## **Purpose:**

This policy provides guidelines for prioritizing and approving capital expenditures in the current fiscal year and through the capital budget process for the next three years. The policy outlines the capital budget process and those projects approved outside the capital budget process using surplus or other funding. Additionally, this policy establishes a framework whereby capital expenditures will be requested, approved, monitored, and tracked.

## **Scope:**

This document applies to all construction, capital improvements, major equipment purchases and other special projects requiring one or more expenditures totaling \$25,000 or more. This includes projects that are partially or fully funded by outside funding sources (e.g. grants, gifts, etc.). Some examples include:

- New construction (new buildings or major additions)
- Building repairs, renovations, demolition, or upgrades
- Major maintenance (capital renewal and deferred maintenance)
- Safety, ADA, or Legal Compliance construction projects
- Energy conservation improvements
- Grounds improvement
- Real Estate Acquisition or Leasing
- Vehicles
- HVAC
- Telecommunication and Information Technology systems (hardware and/or software)
- New or replacement equipment or furniture

The Director of Facilities has been allocated a certain amount each year to address small maintenance and emergency projects under this threshold. For capital requests under \$25,000, those items should be included in templates during the capital budget process. However, capital requests under \$25,000 may not have the same oversight as capital requests \$25,000 and above.

## **Capital Asset Definitions:**

Regarding definitions of capital purchases, please see Pacific University Plant Infrastructure Policy & Process located on the Business Office webpage for definitions of capital and non-capital items:

<http://www.pacificu.edu/about-us/offices/business-office/accounting-financial-reporting>

## **Oversight Committee:**

This committee is responsible for reviewing and monitoring all university capital needs and requests. Members include Vice President for Finance & Administration, Director of Budget Operations & Reporting, Associate Controller, Chief Information Officer (CIO), Associate VP of Finance & Administration, and Associate VP Finance & Controller. Projects are evaluated and approved based on available funding, strategic planning, campus master plan, investment opportunities, and academic initiatives. This committee meets periodically to review and monitor projects.

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## **Approval Process:**

Projects totaling \$500,000 or more will be reviewed, approved, and prioritized by the President's Cabinet. In addition, projects with an estimated cost of \$500,000 or more will be reviewed and approved by the Board Finance Committee. For all purchases of real property, approval is required from the Board of Trustees.

## **Related Documents/Forms:**

- Operational & Investment Opportunity Budget Timeline
- Capital Budget Template
- Capital Project/Construction Request Form
- Pacific University Plant Infrastructure Policy & Process

## **Project process:**

### Under the Capital Budget Process –

- Step One – Complete a capital project/construction request form. Attach all supporting documentation with the request including appropriate VP signature(s).
- Step Two – The current budget process requests that the templates are updated for the next three fiscal years, thus providing anticipated capital needs/projects for strategic planning and anticipated enrollment growth. Budget managers will populate the templates in the fall for the upcoming fiscal year plus two additional years. This request will be reviewed by the President's Cabinet for approval. For the timeline in this process please review the Operational & Investment Opportunity Budget Timeline.
- Step Three – If approved, forward the capital project/construction request form to the Associate Controller to place on the project list for monitoring and reporting.
- Step Four – Cost Overruns: Submit a revised capital project/construction request form providing detailed information and supporting documentation if the project exceeds 5% or \$10,000 of its approved amount. Provide any detail explaining how your department might cover the overrun including any actions that are being taken to minimize the overspending. The request form must be signed by the Dean or VP in your area. Send the form to the Associate Controller who will inform the Vice President for Finance & Administration of the overrun.
- Step Five – Notify the Associate Controller when the project is substantially complete. Any minor expenses received after that time will be expensed in operations.

### Outside the Capital Budget Process (surplus funding, etc.) –

- Step One – Complete a capital project/construction request form. Attach all supporting documentation with the request including appropriate VP signature(s).

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- Step Two – Requestor must identify funding including appropriate account number. If funding is to come from year end surplus funds, the Vice President for Finance & Administration must approve that request. If the estimated project costs equal or exceed \$500,000, the project must then be reviewed by the President's Cabinet. If the estimated project cost is \$500,000 or more, it will need to be submitted to the Board Finance Committee for review and approval.
- Step Three – If project is approved, forward the capital project/construction request form and supporting documentation to the Associate Controller to place on the project list for monitoring and reporting.
- Step Four – Cost Overruns: Submit a revised capital project/construction request form providing detailed information and supporting documentation if the project exceeds 5% or \$10,000 of the original approved amount. Provide any detail explaining how your department might cover the overrun including any actions that are being taken to minimize the overspending. The request form must be signed by the Dean or VP in your area. Send the form to the Associate Controller who will inform the Vice President for Finance & Administration of the overrun.
- Step Five – Notify the Associate Controller when the project is substantially complete. Any minor expenses received after that time will be expensed in operations.

Once the Associate Controller has received all documentation including approval(s), an account in the Plant Fund will be created for tracking.

Questions on the process can be addressed to the Associate Controller.