



## TEXAS TECH UNIVERSITY™

### Operating Policy and Procedure

#### **OP 61.25: Financial Administration of Construction Projects**

**DATE:** November 3, 2021

**PURPOSE:** The purpose of this Operating Policy/Procedure (OP) is to establish formal policies and procedures for the financial administration of construction projects. Construction projects include major repair and renovation projects.

**REVIEW:** This OP will be reviewed in December of even-numbered years by the Chief Procurement Officer (CPO), the Associate Vice President for Operations (AVPO), and the Vice Chancellor for Facilities Planning & Construction (VCFPC) with substantive revisions forwarded to the Senior Vice President for Administration & Finance and Chief Financial Officer (SVPAF/CFO).

### **POLICY AND PROCEDURE**

#### **1. Construction Project Management**

- a. In general, construction project management guidelines will follow Texas Higher Education Coordinating Board (THECB) and the [Texas Tech University System Board of Regents guidelines](#).
- b. Construction projects estimated to cost \$4 million or more will be managed by Facilities Planning & Construction (FP&C).
  - (1) Occasionally, the management of a project exceeding these limits will be delegated to another department by FP&C with the concurrence of the SVPAF/CFO and the AVPO. These projects are normally large utility, HVAC, or Central Heating and Cooling Plant projects with the appropriate technical knowledge and project management expertise in Operations Division.
  - (2) The department to which the project is delegated will administer and execute the project and will be responsible for managing the project accounts.
- c. Projects estimated to cost less than \$4 million will normally be managed by the AVPO.
- d. Projects designated as part of the University Public Art Program will be managed by FP&C. Project funds from the 1 percent or a maximum of \$500,000 art allocation will be placed in an account managed by FP&C. All Public Art Program procurements will be approved by the University Public Art Committee (UPAC.) The Public Art Director in Facilities Planning & Construction will coordinate with the UPAC to procure public art. Individual art projects not part of a construction or renovation project normally will be managed by FP&C but may be managed by either entity with agreement among FP&C, SVPAF/CFO, and AVPO.

- e. Landscaping work that is part of a construction or renovation project will generally be managed by the entity managing the overall project (e.g., FP&C or AVPO). Funds from the 1 percent or a maximum of \$500,00 landscape enhancements allocation will be placed in an account managed by the appropriate entity. Individual smaller projects not part of a construction or renovation project may be managed by either entity with agreement among FP&C, SVPAF/CFO, and the AVPO. These projects will be handled on a case-by-case basis.
- f. The office assigned project management responsibility will be responsible for the administration and execution of a project including budget preparation, additional approvals, contract administration, financial management, project design, construction, processing of invoices, and project close-out.

## 2. Approval of a Construction Project

- a. Projects estimated to cost less than \$4 million may be approved by the President or the President's designee.
  - (1) Construction projects in this category that will alter the exterior appearance of a building will require the approval of FP&C. Construction projects in this category that will make a utilization change in a classroom will require the approval of the Facilities Allocation Council (FAC) with approvals recorded in FAC minutes regardless of magnitude.
  - (2) Construction projects that will cost \$10,000 or more must have a separate construction account established regardless of the fund source. Projects that cost less than \$10,000 may be charged to an existing departmental account via an approved project request through Building Maintenance & Construction. See [OP 61.28, Construction Projects Costing Less than \\$4 Million and Renovation Projects Costing Less than \\$4 Million](#).
  - (3) Departments that are funding a construction project will obtain the necessary internal approvals required by their divisional vice president (DVP) or dean prior to submitting a construction request.
- b. Capital Improvement Program (CIP)

A call letter will be sent out to all the divisional vice presidents and deans each year to update and prioritize the construction projects in their area of responsibility in accordance with [OP 61.36, Capital Improvement Program](#). From the recommended DVP or dean priorities, the FAC will develop an overall priority list(s) and recommend the allocation of funds accordingly.

- c. Projects estimated to cost \$4 million or more require approval by the Board of Regents (Section 08.01, *Regents' Rules*) and must be reported to the THECB.
  - (1) FP&C is responsible for obtaining the required approval from the Board of Regents and reporting to the THECB.
    - (a) Before submitting a project to the Board of Regents, FP&C will forward a project budget to the SVPAF/CFO. The SVPAF/CFO will obtain all required approvals within the university and inform FP&C when funds are available. The SVPAF/CFO will certify in writing that funds are available for that project or

portion of the project. Normally, the SVPAF/CFO will inform FP&C when the project and budget may be taken to the Board of Regents for approval.

- (b) Typically, FP&C will obtain all required approvals from the Board of Regents (project budget and scope/approval to complete the design), report to the THECB, and award a construction contract.
- (2) After the Board of Regents has approved a project, FP&C will prepare a budget in the appropriate amount and submit it to the SVPAF/CFO for approval and processing.
- (a) The budget will designate FP&C as the financial manager and will identify alternates with signature authority.
  - (b) The SVPAF/CFO will identify a source of funds, approve the budget, and forward the budget to the Budget Office for processing.
  - (c) The Budget Office, in coordination with the Chief Accounting Officer and Controller, will process the budget and:
    - i. Assign a FOP number;
    - ii. Establish the FOP profile;
    - iii. Enter data into the financial accounting system;
    - iv. Establish a FOP history file;
    - v. Advise FP&C when the budget has been processed and the funds are available; and
    - vi. Distribute copies of the approved budget to FP&C, Accounting Services, and other offices, as required.
- (3) If changes in the budget of a minor construction project will cause the project to fall within the definition of a major construction project, then:
- (a) The FP&C Office must be notified as soon as the revised total project cost is identified; and
  - (b) In accordance with Section 08.01.3, *Regents' Rules*, the project must be brought to the chair of the Facilities Committee for board approval.
- d. For construction projects that cost less than \$4 million, the Office of the Chancellor, the Office of the President, or its designated representative is authorized to proceed with any of the following actions, as applicable to the project:
- (1) Establish a project budget and approve a schematic design;
  - (2) Solicit and accept bids, quotes, or proposals through the Office of Procurement Services;

- (3) Select a construction manager-agent, construction manager-at-risk, design-build firm, or general contractor;
- (4) Award a contract; and/or
- (5) Assign job order contracts for repair, rehabilitation, or alteration.

### 3. Budget Adjustments

- a. The following changes to a major construction project require reapproval by the board and may require resubmission of a report to the THECB:

- (1) The total cost of a project exceeds the initial board approved budget by more than \$500,000 or ten percent (10%), whichever is more;
- (2) The TTU System Administration or the component institution has not contracted for the project within 18 months of the date of final approval by the board; or
- (3) Any funding source of an approved project is changed.

- b. Other revisions to a project budget may be made as follows:

- (1) Account Code Changes

Any change in an account code for a project must have the prior approval of the financial manager before the change is made. This includes any additions of codes or the transfer of funds from one account code to another. The request for change should be made on a *Request for Operating Budget or Budget Revision* form and sent to the Budget Office. The Budget Office will make the appropriate budget adjustment and will notify Accounting Services and the financial manager.

- (2) Year-end Capitalization

At the end of each fiscal year, all expenditures that are to be capitalized must be recorded as expenditures against a capital outlay code. The Budget Office and Accounting Services Office will make year-end adjusting entries, which will permit only the remaining project free balances to be carried forward to the next fiscal year.