

**ARIZONA BOARD OF REGENTS
POLICY MANUAL**

7-101 Capital Definitions

Revision Dates

11/17/2022, 6/9/2022, 4/6/2018 (effective 7/1/2018), 9/28/2012 4/6/2012, 4/24/2008, 6/16/2005, 4/26/2002, 9/26/2001, 1/15/1999, 7/15/1993, 6/12/1992 (renumbered), 5/19/1989, 1/15/1988 (adopted)

CHAPTER VII – BUILDINGS, INFRASTRUCTURE, AND LAND

A. CAPITAL PLANNING AND DEVELOPMENT PROCESSES

- A. Annual Capital Plan (ACP): A plan for identifying Major Capital Projects that each university intends to initiate during the upcoming 12-month period, including Third-Party Projects and a Fiscal Management Plan.
- B. Building Renewal: Major activities that involve the repair or reworking of a building and the supporting infrastructure that will result in maintaining a building's expected useful life. Building Renewal does not include new building additions, new infrastructure additions, landscaping and area beautification, routine maintenance, or demolition and removal of a building. Consultant fees related to Building Renewal projects, Fixed Equipment, and interior wall/furniture systems with the intent of permanent use in that location are an allowable use of Building Renewal funds.
- C. Capital Improvement Plan (CIP): An annual plan, in accordance with state statute, that contains proposals for spending on Land Acquisition, Capital Projects, including Third-Party Projects, energy systems, energy management systems and Building Renewal. The CIP includes a one-year plan and a three-year forecast of proposed capital activity.
- D. Capital Projects: Buildings, structures, facilities, infrastructure and areas constructed, renovated, or improved for the use or benefit of the Arizona Board of Regents, the universities under its jurisdiction, and the State of Arizona. This includes Major Capital Projects as defined in this section.
- E. Commercial in Nature: That a majority of business to be conducted at the leased property (calculated either by lease revenues generated or by allocation of square footage) is anticipated to come from the non-university population and for which the purpose is the derivation of financial or business gain. Commercial in Nature does not include transactions with governmental entities.
- F. Debt Ratio: The numerator of the debt ratio shall include a university's fiscal year debt service on outstanding and proposed bonds and certificates of participation, as shown in the most recent Capital Improvement Plan, and the denominator

shall be comprised of the university's total projected expenses for the same fiscal year.

- G. **Deferred Maintenance:** Facility condition deficiencies identified through physical inspections where deterioration and/or life safety concerns are evident and affect the proper functioning of the facility. Typical building components with deficiencies defined as Deferred Maintenance include: heating, ventilation and air conditioning, roofs, flooring, walls, ceiling and lighting, electrical and plumbing. Deferred maintenance does not include routine maintenance needs.
- H. **Facilities Program:** Identifies future space requirements using the methodology developed by the board office and universities, and other relevant planning guidelines. The program considers facility use information, projections of future use, and other related characteristics.
- I. **Fiscal Management Plan:** A plan that identifies and justifies the source of funds, financing instruments, terms and approaches (e.g., lease-lease/back), annual debt service, source of funds for debt service coverage, impact on tuition and annual operations and maintenance costs (including source of funds) for any Major Capital Project a university proposes to undertake. The plan will also address the potential impact of the project on university debt capacity and bonding authority (if applicable).
- J. **Fixed Equipment:** Consists of permanently affixed/installed furniture, fixtures and equipment. Examples include but are not limited to: elevators, bulletin boards, kitchen cabinets, environmental walk-in boxes, building directories, library shelving, drinking fountains, signage, plumbing fixtures, building mechanical systems, chalkboards, backbone telecom/data/systems and electrical systems, fume hoods, fixed electronic equipment, and fixed theater or classroom seating, as well as other fixtures and equipment installed with the intent of permanent use in that location.
- K. **Furniture/Fixtures and Equipment (FF&E):** Moveable furniture, fixtures, or equipment that require no permanent connection to utilities or to the structure. They may require utility outlets, but are plug-in types. Examples include but are not limited to: moveable or non-fixed theater or classroom seating, electronic equipment, desks, chairs, bookcases, files, waste receptacles, easels, partitions, refrigerators, tables, credenzas, stools, typing stands, computer stands and other furniture, including interior wall/furniture systems. FF&E also includes scientific or technical equipment such as autoclaves, centrifuges, lasers, spectrometers, shop equipment/tools, kilns, and microscopes.
- L. **Infrastructure:** Nonbuilding improvements that directly support operating a facility that is listed in the building inventory report such as, but not limited to, utility delivery systems, (e.g., steam and chilled water) roadway systems, external lighting systems, irrigation systems, sidewalks and parking lots. Additional

-
- campus infrastructure includes: campus grounds, other circulation systems (bike paths, pedestrian routes, etc.), and parking structures.
- M. Information Technology Project: As defined in ABOR Information Security Program Guidelines.
- N. Land Acquisition: The procurement of real property by gift, grant, purchase, lease purchase, condemnation or other lawful means.
- O. Long-Term Lease: A lease of University Property to a third party with a term that exceeds 120 months.
- P. Major Capital Projects: Capital Projects with a Total Project Cost of \$10,000,000 or greater, including New Construction, Renovation, Infrastructure, Information Technology or Third-Party Projects.
- Q. Master Lease: A ground lease of University Property to a component unit affiliate that is a Long-Term Lease, Commercial in Nature, and entered into after June 12, 2020, which permits the University Property to be developed or divided into further parcels of land and thereafter separately leased or subleased to third parties pursuant to a ground sublease.
- R. Master Plan: A document setting forth the concepts and guiding principles for future land use and development of campus facilities and infrastructure.
- S. New Construction: The creation of a new facility or the addition, expansion, or extension of an existing facility that adds to the building's overall gross square footage. Examples include but are not limited to: additions to existing facilities, construction of portable or temporary buildings, etc.
- T. Release Space: Space vacated in the existing inventory of campus buildings as a result of new space being added to that inventory (e.g., new construction, lease, etc.).
- U. Renovation: The reworking of an existing building or portion of an existing building, including the upgrading of major systems, which extends the useful life. Renovation includes the replacement, or upgrading of major building systems, components, or fixed equipment.
- V. Routine/Preventive Maintenance: The regular and routine work required to keep buildings and infrastructure systems or components in good repair. Routine/Preventative Maintenance does not include renovations.
- W. Sub-Area Plan: A plan representing a portion of the campus that is less than the area covered by the Master Plan. Sub-area planning shall provide additional

details and the necessary information for implementing the concepts and principles established by the Master Plan.

- X. **Third-Party Project:** Is a Capital Project in which a component unit of a university, a non-university organization, or a developer pays for, issues bonds for, or otherwise finances the Capital Project and the Capital Project:
1. Is on University Property;
 2. Is intended to house any university activities;
 3. May eventually become state assets; or
 4. Includes university guarantees of revenues to the component unit, organization, or developer or the university would make debt service payments on behalf of the component unit, organization, or developer.
 5. A Third-Party Project does not include a project that is intended to be commercial in nature and if the majority of the project's business is anticipated to come from the non-university population.
- Y. **Total Project Cost:** The full cost of a project that includes all direct construction costs (e.g., material, labor, site development, utilities, and infrastructure, extension, inflation adjustment, etc.) and indirect costs (Land Acquisition, architectural and engineering fees, Furniture/Fixtures & Equipment, contingencies, etc.).
- Z. **University Property:** Property, the title of which is owned and held by the Arizona Board of Regents.

Policy History

- | | |
|-----------|--|
| 1/15/1988 | Approved by the Board on second reading. |
| 5/19/1989 | Policy revision approved by the Board on second reading. |
| 6/12/1992 | Policy revision, including renumbering, approved by the Board on second reading. |
| 7/15/1993 | Policy revision approved by the Board on second reading. |
| 1/15/1999 | Policy revision approved by the Board on second reading. |
| 9/26/2001 | Policy revision approved by the Board on second reading. |
| 4/26/2002 | Policy revision approved by the Board on second reading. |

- 6/16/2005 Policy revision approved by the Board on second reading.
- 4/24/2008 Policy revision approved by the Board on second reading.
- 4/6/2018 Policy revision approved by the Board on second reading to be effective 7/1/2018.
- 9/28/2012 Policy revision approved by the Board on second reading.
- 6/9/2022 Policy revision approved by the Board on second reading.
- 11/17/2022 Policy revision approved by the Board on second reading.

Related Information

This policy was originally numbered as 7-109 from its adoption in 1988 until 6/12/1992. 7-101 was originally assigned to the Projects Requiring Approval by the Board policy from the Policy Manual's adoption in 1983 until Article A of Chapter VII was revised in January 1988.