

## COMPTROLLER POLICY MANUAL

|   |                                 |
|---|---------------------------------|
|  | <b>POLICY: CMP 131</b>          |
|   | Section: 100 General            |
|   | Page 1 of 3                     |
|   | Responsible office: Comptroller |
|   | Origination date: 01/01/2000    |
| <b>Subject: Use of Bond Proceeds</b>  | Effective date: 02/01/2003      |
|   | Revision date: 01/26/2016       |

### PURPOSE

To establish policies, procedures and general guidelines for proper use of bond and other long term debt proceeds.

### SOURCE

University Policy, ABOR, ARS Section 1681

### BACKGROUND

As NAU issues additional bonds for capital improvement, the question has been raised about what expenditures are allowable with the proceeds outside of the renovation of buildings listed in the official bond statement and the Arizona Board of Regents (ABOR) approved Capital Development Plan (CDP). For example, some of the items that have been requested are; purchases of electronic equipment such as computers; furniture and fixtures; and moving and storage expenses. The Official Statement for the issuance of the bonds states that, “The Board is issuing the 20XX bonds to provide funds (i) to acquire, construct, equip and improve the 20XX Projects (as defined herein), and (ii) to pay costs relating to the issuance of the 20XX Bonds.”

ABOR has outlined guidelines in policy regarding Capital Development.

In addition, Arizona Law requires that the projects to be acquired with the proceeds of the bonds be reviewed by the Legislature’s Joint Committee on Capital Review (JCCR). JCCR reviews the capital project budgets as submitted by the Universities on a case-by-case basis. Based on both ABOR policy and past practice of JCCR in the review of capital project budgets, the University has developed the following guidelines to govern the use of bond funds.

The underlying principal is that the bond funds were provided primarily to renovate the buildings on the mountain campus, not to furnish the buildings or pay for other intangible expenses that do not have a life span commensurate with the bond term (30 years). However, certain types of expenditures for FFE have been included in capital project budgets and approved by JCCR, especially when outlined in the various phase of the project.

COMPTROLLER POLICY MANUAL

|   |                                 |
|---|---------------------------------|
|  | <b>POLICY: CMP 131</b>          |
|   | Section: 100 General            |
|   | Page 2 of 3                     |
|   | Responsible office: Comptroller |
|   | Origination date: 01/01/2000    |
| <b>Subject: Use of Bond Proceeds</b>  | Effective date: 02/01/2003      |
|   | Revision date: 01/26/2016       |

|   |
|---|
| <b>CMP 131: Use of Bond Proceeds</b>  |
| <p><b>Moving Costs</b></p> <p>The general practice at NAU has been for departments or their parent unit to pay for moving costs. Appeals are made to the appropriate administrative (executive) office.</p> <p>Occasionally, moving costs have been allowed in some state agencies by the JCCR, but have been denied in certain circumstances. Moving costs would have to be justified as part of the original capital project budget.</p> <p><b>Storage Costs</b></p> <p>Storage costs will not be included for the use of NAU bond funds and will need to be absorbed as operating expenses.</p> <p><b>FFE</b></p> <p>Furniture, fixtures and equipment have been included in a capital projects budget in past practice on a case-by-case basis. The items generally need to be considered “permanent” fixtures. A general guideline being that the lifecycle of such items may not correspond with the term of the bond repayment (30 years). FFE should be identified in the original project request and properly disclosed in the debt financing offering statement.</p> <p><b>Electronic Equipment</b></p> <p>The purchase of electronic equipment, predominantly computers, is of primary concern to the JCCR due to the life span issue. These items have been consistently denied by JCCR as part of a capital project budget.</p> <p><b>Art Work</b></p> <p>ABOR policy on Public Art for Major Capital Projects says that funds to provide public art may be budgeted for any major building to be constructed or renovated. Major buildings are those with total project costs of \$1 million or greater. Funds will be for the purpose of placing, maintaining, repairing, removing or inventorying works of art (murals, frescoes, sculptures, fountains, mosaics, etc.) in or around university facilities. The funded amount for public art shall not exceed one-half of one percent (0.5%) of the construction cost for any major building. However, Arizona State University was recently denied a request by the JCCR to include the purchase of artwork in a project. The amount included in the capital project budget was \$264,000 on a \$69,000,000 building.</p> |

COMPTROLLER POLICY MANUAL

|   |                                 |
|---|---------------------------------|
|  | <b>POLICY: CMP 131</b>          |
|   | Section: 100 General            |
|   | Page 3 of 3                     |
|   | Responsible office: Comptroller |
|   | Origination date: 01/01/2000    |
| <b>Subject: Use of Bond Proceeds</b>  | Effective date: 02/01/2003      |
|   | Revision date: 01/26/2016       |

|   |
|---|
| <b>CMP 131: Use of Bond Proceeds</b>  |
| <b>Demolition</b><br><br>Cost for demolition and other site preparation are allowed and have been approved as part of the capital projects budgets if the costs are in the original project plan.   |
| <b>Temporary (Swing) Space</b><br><br>Amounts for temporary space can be included for payment with bond proceeds and have been approved by the Board for bond issues.   |
| <b>Summary</b><br><br>The University has issued bonds for the purpose of renovating buildings on the mountain campus. The funds should be used for the direct expenses related to those renovations and amortized over the life of the buildings and bond term (30 years).<br><br>There are four distinct projects approved in the 20XX series bond issuance. Any other uses of the funds as outlined in the Official Bond Statement are limited to the following: facilities renovations, major building repairs, and infrastructure improvements subject to receiving all necessary required approvals. As a general rule, the University bond proceeds cannot be expended for storage costs, or other FF&E items that are not considered permanent such as computers, as they are either intangible (in the case of storage costs) or have a short useful life cycle for amortization purposes (computers). Moving cost must be justified as part of the capital project budget and are handled on a case-by-case basis. |

**CROSS-REFERENCES**

[Arizona Board of Regents - Policy Manual](#)

[CMP 430-25 Inventory of Capital Equipment](#)