

 E8.202 - Repair and Maintenance and Capital Improvement Projects

I. Introduction

Section 8.3 of the University of Hawai'i Board of Regents By-Laws and Policies provides for the formulation and execution of the biennial operating and capital improvement budgets. In the formulation and execution of the operating and capital budgets, there is a need to establish a uniform and consistent basis for managing repair and maintenance and capital improvement projects for budget formulation, execution and analysis purposes. The Objectives, definitions and criteria described below are consistent with the Governor's Executive Memorandum 1980-2 dated February 22, 1980, (Attachment A).

II. Objectives

 This administrative policy has two objectives:

1. To provide definitions for the purpose of identifying projects to be included in the operating and capital budgets.
2. To establish criteria for distinguishing between a capital improvement and a repair and maintenance project.

III. Definitions

Capital Improvement Budget. This budget covers the development and execution of the University's capital improvement program including the acquisition and development of land, the planning, design and construction of new facilities and the making of renovations or additions to existing facilities. Capital improvement projects are budgeted under the capital improvement budget. Capital improvement projects are defined as expenditures necessary to provide a tangible asset which will be used and is capable of accruing benefits in future periods. The intent of the project may be either to provide new facilities or to increase the value of an existing fixed asset by increasing its capacity, efficiency or extending the original useful life.

Operating Budget. This budget covers the costs of operating, supporting and maintaining authorized programs, including costs for personnel, salaries and wages, employee fringe benefits, supplies, materials, equipment and motor vehicles. Repair and maintenance projects are budgeted under the operating budget. Repair and maintenance projects are defined as expenditures necessary for preventative and routine maintenance purposes and preservation or restoration of an existing facility to a good condition. A restoration which must be repeated or does not extend the original useful life of the facility is considered a repair and maintenance project.

Criteria for Distinguishing between Capital Improvement Projects and Repair and Maintenance Projects

A. Capital improvement projects:

1. Criteria

- a. Advance planning for specific complexes, including the development of cost estimates and other support activities (feasibility study, site selection, master plan, long-range facility-related plan, etc.).
- b. Acquisition of land and other related expenses, such as appraisal fee and cadastral engineering.
- c. Architectural and engineering design, including the preparation of an environmental impact statement and other necessary building permits and zoning clearances.
- d. Construction of facilities, including built-in equipment and fixtures to make the facility operable and other related engineering services.
- e. Projects which would renovate existing facilities that:
 - o Extend or add to a facility to accommodate program growth.
 - o Modify a facility in order to Comply with standards which have been adopted since the construction of the facility (OSHA, EPA, programmatic, etc.) or to Change its usage and utility.
 - o Provide for significant improvements to a facility for better functional or operational efficiency.

- f. Initial furnishings and equipment essential for the proper functioning of the facility that Cannot be provided by the existing inventory.
- g. Art-in-state buildings, as stipulated by Section 103-8, HRS.

2. Funding

- a. Capital improvement projects may utilize either Cash or bond funds. If bond funds are used to finance a project, the life expectancy of the facility must be as long or greater than the bond amortization period. Capital projects proposed to be funded through special funds or through proceeds from revenue undertakings shall be approved by the President and the Board of Regents before implementation of design and Construction.

B. Repair and maintenance projects:

1. Criteria

- a. Any project involving the replacement or rehabilitation of part of an existing facility due to normal deterioration, usage or accidents, unless the Construction Cost exceeds 40 percent of the replacement value for the entire facility.
- b. Capital improvements including renovation projects where the Construction cost of the project is less than \$15,000.

2. Examples of repair and maintenance projects

- a. Repairs to standard classroom and research facilities such as blackboards, tables, chairs and benches.
- b. Repairs to structure and utilities distribution system: gas, electric, steam, water, drainage and sewer systems.
- c. Interior and exterior painting and masonry repairs and treatment.
- d. Maintenance and repair of roofs, gutters and downspouts.
- e. Repairs to handrails, stairs, buildings due to termite damage, and fences.
- f. Replacement of windows, lighting systems, alarm systems, ceilings, fire escapes and hydrants, transformers, and sidings.

- g. Fumigation and resurfacing.
- h. Maintenance and repair of roads, sidewalks, sprinkler systems, building ventilation and air conditioning systems.
- i. Maintenance and repairs of floors, floor coverings, and shutter and door hardware.

3. Funding

- a. Repair and maintenance costs are to be included in the operating budget.

C. Items not included in the Capital Improvement Budget

1. Examples

- a. Planning studies which must be continually updated or not related to a specific facility, such as functional plans, development of standards, identification of needs.
- b. Equipment for personnel positions, such as calculators, typewriters.
- c. Maintenance equipment, such as vacuum cleaners, ladders.
- d. Small replaceable equipment items which are used for programmatic purposes and have a life expectancy of less than 20 years (slide projectors, weighing scales, cameras, portable microphones, etc.).
- e. Items which will replace existing equipment.
- f. Books.
- g. Motor vehicles for programmatic purposes.

2. Funding

- a. The above examples are considered to be operating budget expenses.



EXECUTIVE CHAMBERS

HONOLULU

GEORGE R. ARIYOSHI
Governor

February 22 1980

EXECUTIVE MEMORANDUM

MEMO 1980-2

TO: All Department Heads

SUBJECT: Criteria for Distinguishing Between a Capital
Improvements Project and a Repairs and Maintenance Project

The purpose of this memorandum is to clarify the distinction between a capital improvements project and a repairs and maintenance project. This memorandum supersedes Appendix I of Memorandum 1978-15 issued on July 1 1978 which identified qualifying and non qualifying capital improvement projects which may be implemented.

The Department of Budget and Finance may be consulted to clarify the following criteria before requests for authorizations are considered. Any implementation questions should be referred to the Department of Planning and Economic Development.

Guiding Principles:

A capital improvements project (CIP) is defined as expenditures necessary to provide a tangible asset which still be use and is capable of accruing benefits in future periods. The intent of the project may be either to provide new facilities or to increase the value of an existing fixed asset by increasing its capacity efficiency, or extending the original useful life.

A repairs and maintenance project (R&M) is defined as expenditures necessary for preventative and routine maintenance purposes, preservation or restoration of an existing facility to a good condition. A restoration which must be repeated or does not extend the original useful life of the facility must be considered a R&M project.

Memo To All Department Heads
Page 2
February 22, 1980

Financing Considerations:

CIP may utilize either cash or bond funds. However, if bond funds are used to finance the project, the life expectancy of the facility must be as long as or greater than the bond amortization period.

Cash financing must be used for R&M purposes and should be included in the operating budget.

Other Considerations:

1. Any project involving the replacement or rehabilitation of part of an existing facility due to normal deterioration, usage or accidents, must be considered a R&M project, unless the construction cost exceeds 40 per cent of the replacement value for the entire facility.
2. Any CIP which construction cost (basic bid or contract) is less than \$15,000 may be considered as a R&M project.
3. Exceptions can be made on a case-by-case basis, depending upon public urgency or the impact which would be created by health and safety deficiencies.
4. Research and development projects should adhere to the same criteria allowed for capital expenditures.

Specific Guidance:

For Allowable CIP

1. Advance planning for specific complexes, including the development of cost estimates and other support activities (feasibility study, site selection, master plan, long-range facility-related plan, etc.).
2. Acquisition of land and other related expenses, such as appraisal fee and cadastral engineering.
3. Architectural and engineering design, including the preparation of an environmental impact statement and other necessary building permits and zoning clearances.

Memo To All Department Heads
Page 3
February 22, 1980

4. Construction of facilities, including built-in equipment and fixtures to make the facility operable and other related engineering services.
5. Projects which would renovate existing facilities and qualify as CIP are as follows:
 - Extend or add to a facility to accommodate program growth. :
 - Modify a facility in order to comply with standards which have been adopted since the construction of the facility (OSHA, EPA, programmatic, etc.) or to change its usage and utility.
 - Significant improvements to a facility for better functional or operational efficiency.
6. Initial furnishings and equipment essential for the proper functioning of the facility and cannot be provided by the existing inventory.
7. Art-in-state buildings, as stipulated by Section 103-8, HRS.

For Non-Allowable CIP

1. Planning studies which must be continually updated or not related to a specific facility, such as functional plans, development of standards, identification of needs
2. Equipment for personnel positions, such as calculators, typewriters.
3. Maintenance equipment, such as vacuum cleaners, ladders.
4. Small replaceable equipment items which are used for programmatic purposes and have a life expectancy of less than 20 years (slide projectors, weighing scales, cameras, portable microphones, etc.).

Memo To All Department Heads
Page 4
February 22, 1980

5. Items which the Department of Accounting and General Services classify as expendable items and need not be inventoried.
6. Items which will replace existing equipment.
7. Lease or rental of facilities and equipment.
8. Consumable materials and supplies.
9. Books.
10. Motor vehicles for programmatic purposes.

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