
A. Policy

Universities of the State System of Higher Education shall finance operation, maintenance, repair, renovation, and construction of State System auxiliary facilities completely from revenues, gifts, or fees charged or generated for the use of those facilities, unless otherwise specifically approved by the Board of Governors.

B. Purpose

In order to ensure continued availability of adequate facilities to support student life services on the campuses of the universities of the State System of Higher Education, a source of the financial resources required for both current operations and future repairs, renovations, or new construction must be established. Unlike the shared benefits derived by both the student and society from the education provided in the campus academic facilities, the users of the auxiliary facilities are the primary beneficiaries of the facilities housing student life activities; therefore, it is appropriate that the users of such facilities primarily bear the financial burden of current operations and maintenance as well as a fair share of the degradation of the facility occurring during their use.

The State System’s enabling legislation, Act 188 of 1982, as amended by Act 77 of 1987, states in subparagraph (a) of §20-2011-A, that:

In addition to rental fees fixed, charged, and collected in the manner provided by law from each student residing in state-owned or state-leased residential facilities at an institution for maintenance and operation of such facilities, a sum shall be fixed by the president with approval of the council of trustees and charged and collected from each such person as an additional rental fee. Such additional rental fees shall be credited to a reserve fund for contingencies and capital replacement.
This policy extends this practice to specified auxiliary facilities.

Amortizing the cost of repairs and renovations over the life of the facility (life cycle) provides an equitable basis for assessing yearly degradation costs of that facility. Thus, fees should be established that provide revenues for current operations and maintenance of the facility, as well as the annualized life-cycle requirements to repair and restore the facility, when required.

C. Objectives

1. Identify the funding source that will be used for auxiliary facility requirements for the State System of Higher Education.

2. Provide for sustained continued operations of auxiliary facilities into the future through the appropriate and equitable funding on a fair share basis for repair, renovation, modification, and replacement of the auxiliary facilities.

3. Utilize available funding in the most effective manner possible by prescribing policy and procedures for operation, maintenance, repair, renovations/renewal, and/or replacement and new construction.

D. Definitions

**Auxiliary Facilities** - An auxiliary facility is a facility that houses an auxiliary enterprise, which is an entity that exists to furnish goods and services to students, faculty, or staff and that charges a fee that is directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services, student centers, and student recreational centers. Internal service departments that charge a fee for service but exist to serve the institution rather than students or staff (for example, motor pools and print shops) are not included.

**Auxiliary Facility Reserve** - A reserve set aside within the Renewal and Replacement Funds’ subgroup of the Plant Fund into which fees charged for future capital repairs and replacement for auxiliary facilities should be booked. (See Board of Governors Policy 1996-03: Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements.)

**Life-Cycle Maintenance** - A method for determining the optimum and least cost facility management program for routine maintenance, component repair or replacement, and renovation and renewal for each facility based on the results of a properly conducted life-cycle maintenance audit. The audit will reflect the annualized cost of performing routine maintenance, repair, or replacement of the facility components that wear out before the end of the useful life of the facility and complete renovation or replacement of the facility at the end of its useful life.
Operations and Maintenance - The costs of providing daily use of the facility, and the minor work performed routinely on a facility, to prevent premature failure of the components used in the construction of the facility, and/or the return of failed components to useful service without complete repair or replacement of the component or a major portion thereof.

Renovation/Renewal - Rehabilitation of the entire facility or a major portion thereof, when the original facility is no longer serviceable, or reaches the end of its useful life, or is no longer usable for the intended purpose due to deterioration or excessive wear.

Repair - Restoration or replacement of major building systems or components used in construction of the entire facility, that fail or wear out before the entire facility, such as roofing systems, heating, ventilation, or air conditioning systems.

Replacement - Substitution of a new facility, when renewal/renovation of a facility is not feasible or justified, but a facility is required for continued performance of the function conducted in the facility.

E. Procedure

1. Auxiliary facility repair/replacement and construction requirements shall be identified and placed in priority order based on a five-year planning cycle for review and update.

2. The Office of the Chancellor shall review the five-year plan and priorities for consistency, to the extent feasible, with the five-year life-cycle maintenance plan, and the State System’s long-term plans.

3. Resources received from fees shall be expended for the annual routine operational maintenance and repair requirements to implement facilities maintenance according to the life-cycle maintenance profile as best can be accomplished within the available resources. Universities shall make every attempt to fund facility maintenance, repair, renovation, and replacement within the fees charged for the use of the auxiliary facility.

4. Fees charged for future repairs and replacement shall be recorded in the auxiliary facility reserve in the amounts required to fund projected life-cycle requirements, to the extent possible.

5. Liabilities for long-term debt obligations shall not be incurred without approval by the Board of Governors.

6. Expenditures from the Auxiliary Facility Reserve shall be limited to:

   a. Capital repairs, replacement, renewal, and life-cycle maintenance specifically for auxiliary facilities, and new construction, if deemed appropriate by the university.
b. A proportionate cost in the repair, replacement, renewal, and life-cycle maintenance of utility support systems.

7. In order to provide adequate repair, replacement, life-cycle maintenance, and renewal of facilities and equipment, each university shall establish reserve accounts for all auxiliary facilities in addition to those required under Act 188 of 1982, as amended (revised in Act 77 of 1987) for residence halls. The auxiliary facility reserve shall be governed as follows:

   a. Fees shall be charged and these funds shall be placed in a designated Renewal and Replacement Fund to finance current and future repair, replacement, renewal, and life-cycle maintenance to the auxiliary facilities at each university. The fund balance shall be reported in accordance with Board of Governors' Policy 1996-03: Defining Auxiliary Enterprises and Establishing Financial Reporting Requirements.

   b. The annual update of the five-year plan outlined above shall include a summary of expenditures and obligations made for planned projects, and a financial summary of funds reserved for future repairs or renovations.

   c. Resources in the Auxiliary Facility Reserve should not normally be expended to finance new construction projects. Unless funds have been collected in anticipation of future construction requirements, adequate auxiliary facility reserves should be maintained for renovation of existing facilities, when due.

8. Unless otherwise specifically approved by the Board of Governors, projects undertaken for construction of new or renovation of existing facilities shall be financed and the debt service paid by the university undertaking the project. The State System of Higher Education shall assume responsibility in the event of default by an individual university.

F. Effective Date

April 19, 1990