

Guidelines for Proper Use of R&R Reserve Funds and Annual O&M Funds

Fund Name	Repair & Replacement Reserves (R&R)	Maintenance & Operations Funds (M&O)
Source of Funds	Student Rents, Fees, or Retail Sales	Student Rents, Fees, or Retail Sales
Location of Funds	Landlord - Trustee Account	Tenant - USG Institution Auxiliary Account
Uses of Funds	Major Repairs & Replacements	Routine maintenance, small scale repairs, custodial, groundskeeping, utilities, IT, security, administration, and residence life programs.
Definitions	<p>PRIVATIZED MAJOR REPAIRS & REPLACEMENTS (PMRR). Major repairs and replacements of a facility's components and systems that have predictable lifecycles and a maintenance cycle in excess of one year. These are R&R funded projects of any dollar amount that extend the life and retain the usable condition of the building itself, its components, and its systems. Large-scale replacements of interior finishes and furniture whose costs exceed \$100,000 may also be paid from R&R funds.</p>	<p>ROUTINE MAINTENANCE (RM). Minor to moderate repairs or replacements required to keep the facility functioning properly and visually attractive for the use of its occupants. RM can be characterized as the day-to-day efforts required to keep a facility in good working condition. Occasional repairs or replacements whose cost does not exceed \$100,000 should generally be paid from O&M funds.</p>
Restrictions	R&R funds belong to the Landlord, not the campus. They can be spent only for legitimate major repairs and replacements and only on the specific project that they are associated with.	O&M funds belong to the Tenant (campus), not the Landlord. Since the facility is owned by a private entity this money can only be spent on Routine Maintenance or Major Repairs and Replacements that are less than \$100,000.
Responsibility for Upkeep of Facility	The Rental Agreement stipulates that the Landlord (Fdn. LLC) will retain sufficient funds in a reserve account for the Tenant (BOR) to keep the facility in good condition. The BOR delegates this responsibility to the campus.	The Rental Agreement stipulates that the Tenant (BOR) will retain sufficient funds to keep the facility in good condition. The BOR delegates this responsibility to the campus.

Reporting	<p>The Rental Agreement stipulates that the Landlord (Fdn. LLC) get consent from Tenant (BOR) for any expenditures exceeding \$200,000. Landlord shall provide a semi-annual report detailing all expenditures from R&R reserves.</p>	<p>Campus shall submit a breakdown of final O&M costs in the annual Cash Flow Report.</p>
Pitfalls related to improper use	<p>R&R reserve funds are intended to grow over time so that the corpus is sufficiently large to meet future demands for major repairs as the facility ages. Using R&R for small repairs and replacements can result in an inadequate balance to handle major repair needs.</p>	<p>If O&M funds are used elsewhere there will be a lack of funds to do the essential maintenance, repair, cleaning needed. The condition of the building will deteriorate and will result in additional major repairs that could have been avoided. Over time small unattended repairs can grow into large repairs that will overtax the R&R reserve account.</p>
Condition Assessment Used	<p>Facility Condition Assessment - Every 2.5 or 5 yrs.</p>	<p>APPRAISAL - Every 2.5 or 5 yrs. concurrent with FCAR.</p>
Typical Budget Amounts	<p>The minimum balance in the R&R account should be no lower than 2% of Current Replacement Value.</p>	<p>Student Housing: Annual Budget of \$____ per SF escalating at ____%/yr.</p>