

Auburn University Facilities Management Policy on

UTILITIES RESERVE FUND

I. PURPOSE

Provides guidance regarding the establishment and management of Utilities Reserve Fund within Auburn University Facilities Management.

II. POLICY MANAGEMENT

Responsible Office: Auburn University Facilities Management
Responsible Executive: Associate Vice President, Facilities Management
Responsible Officer: Director of Finance, Facilities Management

III. APPLICABILITY

This policy applies to the use of reserve funds created by unexpended budget in Purchased Utilities and Billed Utilities organizations.

IV. DEFINITIONS

Purchased Utilities: Electrical, Gas, and Water/Sewer utilities purchased by Auburn University from external utility companies in Banner Organization 102023 (Utilities).

Billed Utilities: Purchased utilities that are billed by Facilities Management to campus entities other than Education & General (E&G) in Banner Organization 102013 (Interdepartmental Receivables). Examples are Athletics, Auxiliary Services, fraternities, and state agencies.

Utilities Reserve Fund: Reserve located in Banner Fund 920175 (Utilities Reserve Fund).

V. BACKGROUND

- A. Management of Purchased Utilities and Billed Utilities Funding: Until Fiscal Year 2017, gains and losses in the Purchased Utilities and Billed Utilities organizations were captured at year-end by Auburn University Budget Services and reassigned to the University general fund. Some of these gains were subsequently given to Facilities Management for the use of funding energy reduction projects. Under the new budget model implemented in FY17, gains and losses will remain with Facilities Management going forward.

B. Energy Reduction: Facilities Management has an aggressive Energy Reduction Strategy to improve the performance and efficiency of campus utility systems and buildings. The goal of this strategy is to reduce utility consumption, energy costs, and the university's carbon footprint. To execute this strategy, Facilities Management annually invests in energy projects of the following nature:

- Utility system improvements
- Existing Building Commissionings
- Installation/replacement of more energy efficient mechanical, electrical, plumbing, water, and control systems in campus buildings.

Increased investment from this Utilities Reserve Fund would yield additional system improvements and energy reductions.

VI. POLICY

Any fiscal year-end gains in Purchased Utilities and Billed Utilities organizations will be transferred to the Utilities Reserve Fund. The purpose of this fund is to serve as a financial reserve for future utility and energy needs. The uses will be twofold:


- A. To serve as a contingency account to offset any future losses in Purchased Utilities and Billed Utilities resulting from unexpected rate increases in utility commodities (electricity, natural gas, oil, water, and sewage treatment) or changes to campus utility consumption due to unusually hot or cold weather during the year, building or utility system problems, or other causes.
1. The amount of funding to be maintained in the Utilities Reserve Fund for this need will be determined and adjusted annually by Facilities Management, based on knowledge of future consumption, potential rate increases, or other relevant factors. Initially, we propose to establish and maintain the level of this Utilities Reserve Fund at \$3.0 million. This figure was derived from an analysis of rate/cost increases over the last 10 years and using the highest annual increase for each commodity and applying it to our current utility rates and consumption amounts.
 2. At year-end, these reserve dollars may be transferred to organizations 102013 and 102023 to cover any losses.
- B. To be invested in energy reduction projects as detailed in paragraph V.B above.
1. Reserve dollars above the annual level set in paragraph VI.1.a may be used by Facilities Management to fund energy related projects.


2. Utilities Reserve Fund dollars may be transferred, as needed, to energy projects. Any unexpended project dollars will be transferred back to the Utilities Reserve Fund.

VII. EFFECTIVE DATE


February 1, 2018


VIII. APPROVAL



Responsible Officer


Associate VP, Auburn University Facilities Management



Date


Date