

MINNESOTA STATE

PROPOSED NEW OPERATING INSTRUCTION
5.10.1.1 Operationalizing Systemwide Reserve Pool

5.10.1.1 Operationalizing Systemwide Reserve Pool

Part 1. Purpose

To provide clarity and understanding of purpose and mechanics of the systemwide reserve pool.

Part 2. ~~Formation~~

~~All colleges and universities will participate in the systemwide reserve pool established in Board Policy 5.10. The amount required is equal to 5 percent of a college or university's prior year general fund revenue at year end.~~

~~The system office will commit the system reserve required by Board Policy 5.10 to the systemwide reserve pool.~~

~~Colleges and universities that currently have a reserve that is less than 5 percent must include in their financial health recovery plan how they will increase their reserves to a minimum of 5 percent as specified in System Procedure 5.10.1, Part 4.~~

Part 3. Administration

~~a. The systemwide reserve pool is managed by the chancellor and/or the chancellor's designee.~~

~~b.a.~~ b.a. All funds disbursed from the systemwide reserve pool are disbursed as loans and ~~shall~~must accrue interest at a rate set by the chancellor and/or the chancellor's designee. The interest rate paid will not exceed the prior year average Invested Treasurer's Cash (ITC) interest rate earned. ~~The loan interest rate will be reviewed annually and adjusted to ensure alignment between rates paid and rates earned.~~

~~c. Colleges and universities requesting a loan from the systemwide reserve pool shall comply with the steps outlined in System Procedure 5.10.1, Part 7.~~

~~d.b.~~ d.b. A memorandum of understanding between the chancellor and the involved college or university president will be issued, as well as a loan agreement that outlines repayment terms including interest and payment deadlines.

~~e. As part of the financial health recovery plan, specific information requested to ensure adherence to plan will be submitted to the chancellor at a minimum of each quarter.~~

~~f. Notwithstanding chancellor's discretion, loans from the systemwide reserve pool must meet the criteria established in Part 3 of System Procedure 5.10.1, procedure for use of reserves, i.e.:~~

~~i. to protect the system and individual colleges and universities in cases of sudden shortfalls in revenue (e.g., unforeseen shortfall in enrollment or a reduction in state appropriation within the biennium);~~

~~to cover unanticipated expenses (e.g., one-time legal fees, major disasters, unanticipated increases in utility costs); and
to provide for extraordinary one-time investments (e.g. items consistent with institutions' comprehensive facilities or long-term financial plan).~~

~~g. New loans issued from the systemwide reserve pool for systemwide purposes must be approved by the Board of Trustees.~~

~~h. New loans issued from the systemwide reserve pool to colleges and universities will be reported to the Board of Trustees as part of the budget update reporting and as part of the annual operating budget approval process. The report shall include the colleges and universities receiving loans, the amounts, the terms for repayment, and a summary of each financial health recovery plan.~~

~~i.c.~~ The systemwide reserve pool will maintain at minimum 40 percent of the ~~calculated~~ total pool's value each year.

Part 43. Accounting

- a. Amounts in the systemwide reserve pool will be recorded in the accounting system as receivables to the colleges and universities. -This maintains the value of these amounts on individual college and university financial statements so that these assets will be included for college and university Composite Financial Index (CFI) and other financial calculations.
- b. Any loan issued from the pool will be recorded as an interest accruing loan to the specific college or university in the accounting system. Annual payments from the college or university will be recorded as payments of principal and interest in the accounting system.
- c. Each college and university will receive interest from its portion of the pool twice each year, in the same way current practice allocates ITC interest on cash held in each institution's own accounts.
 - i. ITC interest will be apportioned to the systemwide reserve pool as its percent share of the overall General Fund cash in the state treasury every six months.
 - ii. The pool's ITC interest will be sent out to each college and university in proportion to its percent share of the total college and university portions of the systemwide reserve pool.
 - iii. Allocation based only college and university positions of the pool will maintain current practice in which ITC interest on the system office reserve is allocated to colleges and universities rather than being held centrally.
 - iv. Loan interest earned received into the pool will also be sent out to each college and university in proportion to its percent share of the total college and university portions of the systemwide reserve pool.

Part 54. Annual Analysis and Reporting

- a. College and university amounts in the systemwide reserve pool will be reviewed annually and modified as needed when revenues show material adjustments are

81 necessary. The intention is to maintain a 5 percent of general fund revenue threshold
82 from each college and university.

83 ~~b. Loans issued from the systemwide reserve pool to colleges, universities, and the system~~
84 ~~will be reported to the Board of Trustees as part of the annual operating budget~~
85 ~~approval process. The report shall include the colleges and universities receiving loans,~~
86 ~~the amounts, the terms for repayment, and a summary of each financial health recovery~~
87 ~~plan.~~
88

Related Documents

- Board Policy 5.10
- System Procedures 5.10.1
- System Procedures 7.3.16

Operating Instruction History

Date of Adoption:

Date of Implementation:

Date of Last Review: n/a

Date and Subject of Amendment: n/a

No additional History

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3 **Part 1. Purpose**

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5 pool.

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7 **Part 2. Administration**

- 8 a. All funds disbursed from the systemwide reserve pool are disbursed as loans and must
9 accrue interest at a rate set by the chancellor and/or the chancellor's designee. The
10 interest rate paid will not exceed the prior year average Invested Treasurer's Cash (ITC)
11 interest rate earned. The loan interest rate will be reviewed annually and adjusted to
12 ensure alignment between rates paid and rates earned.
- 13 b. A memorandum of understanding between the chancellor and the involved college or
14 university president will be issued, as well as a loan agreement that outlines repayment
15 terms including interest and payment deadlines.
- 16 Notwithstanding chancellor's discretion, loans from the systemwide reserve
17 pool must meet the criteria established in Part 3 of System Procedure 5.10.1.
- 18 c. The systemwide reserve pool will maintain a minimum 40 percent of the total pool's
19 value each year.

20
21 **Part 3. Accounting**

- 22 a. Amounts in the systemwide reserve pool will be recorded in the accounting system as
23 receivables to the colleges and universities. This maintains the value of these amounts
24 on individual college and university financial statements so that these assets will be
25 included for college and university Composite Financial Index (CFI) and other financial
26 calculations.
- 27 b. Any loan issued from the pool will be recorded as an interest accruing loan to the
28 specific college or university in the accounting system. Annual payments from the
29 college or university will be recorded as payments of principal and interest in the
30 accounting system.
- 31 c. Each college and university will receive interest from its portion of the pool twice each
32 year, in the same way current practice allocates ITC interest on cash held in each
33 institution's own accounts.
- 34 i. ITC interest will be apportioned to the systemwide reserve pool as its percent
35 share of the overall General Fund cash in the state treasury every six months.

- 36 ii. The pool’s ITC interest will be sent out to each college and university in
37 proportion to its percent share of the total college and university portions of the
38 systemwide reserve pool.
39 iii. Allocation based only college and university positions of the pool will maintain
40 current practice in which ITC interest on the system office reserve is allocated to
41 colleges and universities rather than being held centrally.
42 iv. Loan interest earned received into the pool will also be sent out to each college
43 and university in proportion to its percent share of the total college and
44 university portions of the systemwide reserve pool.
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46 **Part 4. Annual Analysis and Reporting**

- 47 a. College and university amounts in the systemwide reserve pool will be reviewed
48 annually and modified as needed when revenues show material adjustments are
49 necessary. The intention is to maintain a 5 percent of general fund revenue threshold
50 from each college and university.
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