Minnesota State Colleges and Universities
System Procedures
Chapter 7 – General Finance Provisions
Procedures associated with Board Policy 7.3

7.3.16 Financial Health Indicators

Part 1. Purpose
As stated in Part 1 and Part 3 of Policy 7.3, Financial Administration, effective financial administration will facilitate monitoring, improve managerial performance and evaluate the financial effects of management decisions. The Board of Trustees will be periodically updated on the administration and financial management of the system.

Part 2. Reporting
The Vice Chancellor for Finance is responsible for reporting to the Board of Trustees on the financial well-being of the system and each college and university. Financial information for each college and university will be monitored on a periodic basis in order to ensure financial health and stability throughout the fiscal year.

Part 3. Financial Health and Stability Measures
Specific aspects of each college and university finances, as described below, must be reviewed to determine if financial concerns are present. The Vice Chancellor for Finance must work with the leadership at a college or university to resolve any financial issues. If these concerns continue beyond a reasonable amount of time, it will be brought to the attention of the chancellor and the Board of Trustees.

Subpart A. Enrollment-Based Risk Factors

1. Full-Year Equivalent (FYE) Enrollment Decline
   a. Monitoring Timeline: Annually - Report by end of September
   b. Data Source: ISRS final FYE reporting
   c. Trigger: Actual FYE enrollment has declined more than eight percent over the two most recent years.
   d. Resolution: An enrollment plan must be drafted to explain the changes in enrollment over the past two years. The enrollment plan must include the budget and enrollment strategies to address the enrollment losses.

2. Actual Year-to-Date Full-Year Equivalent (FYE) Enrollment Change
   a. Monitoring Timeline: Annually - Report by mid-October
   b. Data Source: Prior year enrollment comparison report
   c. Trigger: Actual year-to-date FYE enrollment change from the prior year if more than two percent lower than the FYE assumption used in approved operating budget, excluding concurrent enrollment FYE.
   d. Resolution: The current fiscal year budget must be updated to reflect the enrollment change.

Subpart B. Cash-Based Financial Risk Factors

1. Year-End Fund Balance
   a. Monitoring Timeline: Annually - Report by end of September
   b. Data Source: Fiscal year-end general fund adjusted cash balance in SWIFT.
   c. Trigger: Fiscal year-end general fund cash balance is less than 20 percent of general fund revenue.
   d. Resolution: A financial plan must be drafted that focuses on fund balance restoration. The financial plan should explain past use of the fund balance and include a timeline and strategy to restore the balance. The financial plan must be submitted to the Vice Chancellor for Finance and periodic progress must be reported if it is expected that corrective action will take more than one fiscal year.

2. Decrease in Fund Balance
   a. Monitoring Timeline: Annually - Report by end of September
   b. Data Source: Fiscal year-end general fund adjusted cash balance in SWIFT.
   c. Trigger: Year-end general fund balance reductions totaling ten percent or more over the most recent three year period.
   d. Resolution: The college or university must submit a written report explaining the reasons for the change in fund balance. The report should explain past use of the fund balance and include a timeline and strategy to restore and/or maintain the fund balance.

Subpart C. Accrual-Based Financial Risk Factors

1. Low Adjusted Composite Financial Index (CFI) score
   a. Monitoring Timeline: Annually - Report by end of December
   b. Data source: The adjusted CFI score is computed annually by each college and university as part of a fiscal year-end analysis of financial trends and highlights. It is also computed by the Office of the Vice Chancellor for Finance and reported to the Board of Trustees. The computation method will be defined by the Office of the Vice Chancellor for Finance and labeled adjusted CFI.
   c. Trigger: The adjusted CFI score is less than 1.5 (based on a two-year moving average) or an adjusted CFI score under 0.5 for the most recent year.
   d. Resolution: A financial plan must be drafted that focuses on increasing the CFI score above the trigger levels. The financial plan must be submitted to the Office of the Vice Chancellor for Finance and periodic progress must be reported if it is expected that corrective action will take more than one fiscal year.

Subpart D. Facility-Based Risk Factors

1. Repair and Replacement Expenditures
   a. Monitoring Timeline: Close of fiscal year
   b. Data source: Expenditure object code data will be extracted from ISRS using the year-to-date fields for Fund 830.
   c. Trigger: Expenditures per square foot of less than $1.00 per square foot based on a three-year moving average.
   d. Resolution: A repair and replacement plan is required that outlines the conditions and decisions that led to less than the $1.00 per square foot investment target. This plan should include strategies and a timeline to achieve or exceed the target.

2. Energy Consumption Reduction
   a. Monitoring Timeline: Annually - End of March
   b. Data source: Building, Benchmark, and Beyond (B3) Report, Energy Use Intensity (EUI), which measures the building's energy use relative to its size in square feet.
   c. Trigger: Reductions in energy consumption for the past three years of less than six percent total.
   d. Resolution: An energy management plan shall be drafted that focuses on strategies, planned investments, initiatives, and associated timelines to achieve and sustain on-going energy consumption reductions of at least two percent per year.

Date of Adoption: *12/09/03*
Date of Implementation: *12/09/03*
Date of Last Review: *08/08/16*

Date and Subject of Revision:

8/08/16 - Amended Part 1 and Part 2. New Part 3 Financial Health and Stability Measures.

1/25/12 - The Chancellor amends all current system procedures effective February 15, 2012, to change the term "Office of the Chancellor" to "system office" or similar term reflecting the grammatical context of the sentence.

2/14/11 - In Part 3, Subpart B, references to general fund were removed

2/2/11 - The revision to the financial exception reporting process reduces the number of risk factors and adds a consequence for each risk factor. In addition, Guideline 7.3.16.1 has been incorporated into the procedure.

1/7/08 - Amended Part 3 to update the financial exception reporting measures to assure the short- and long-term stability indicators properly reflect effective financial administration throughout the system.