



### Operating Instruction 7.3.5 Revenue Fund Management

#### Part 1. Purpose

To describe the governance of the Revenue Fund and to ensure the financial integrity of Revenue Fund programs at participating college and universities.

#### Part 2. Authority

The Revenue Fund is an independent enterprise fund under the control of the Board of Trustees. The board may acquire property, operate buildings, charge for their use, enter into contracts, borrow money, and issue bonds in support of residence halls, dining halls, student unions, parking facilities, wellness centers, and any other similar revenue-producing facilities the board finds necessary for the benefit of the state colleges and universities. The board has entered into an Indenture of Trust applicable to the management of revenue bonds.

#### Part 3. Definitions

##### **Bond authority**

The maximum aggregate principal amount of revenue bonds that the board is permitted to have outstanding at any time in accordance with state law.

##### **Bond debt capacity**

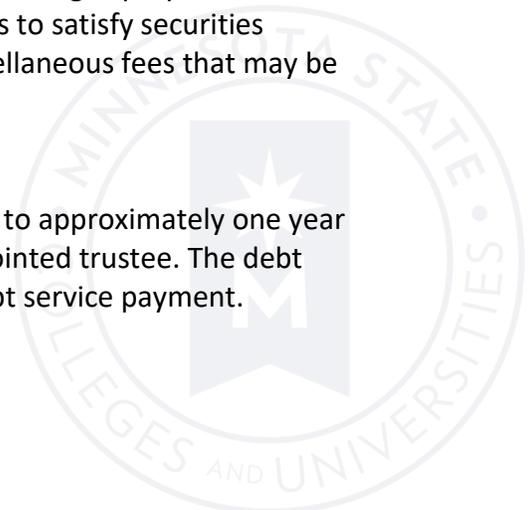
The financial measurement of the maximum amount of debt the Revenue Fund can incur based on its current financial situation. This measure is distinct from “bond authority.”

##### **Cost of issuance**

The costs incurred when selling revenue fund bonds, and may include costs for bond counsel, financial advising in preparation for a bond sale, underwriting in preparation for marketing the bonds, trustee fees, printing of official statements to satisfy securities requirements, rating agencies’ fees to rate the bonds, and miscellaneous fees that may be applicable to a particular sale.

##### **Debt service reserve**

The amount collected at the time of the bond sale closing equal to approximately one year of a series debt service payment and is held by the board’s appointed trustee. The debt service reserve is intended to be used for the last scheduled debt service payment.



**Facility**

The physically identifiable portion of any land or building, such as a residence hall, food service, student union, wellness center, and other revenue-producing buildings, which was built, improved, or acquired and financed in whole or in part by the issuance of revenue fund bonds, and all other buildings, improvements, structures, and lands, the revenues of which are pledged and appropriated to the Revenue Fund by resolution of the board.

**Fees and charges**

The amounts the board is obligated to charge in support of the financing, use, and operation of any buildings or structures sufficient at all times to pay the necessary expenses of their operation and maintenance, the principal and interest on the bonds, and suitable reserves. Fees and charges may include any fees and charges that may be levied for a particular action or service required, such as room change fees, early occupancy, damage fees, and other fees or charges to recover costs.

**Financial advisor**

An independent financial services firm used to consult on Revenue Fund projects, calculate bond debt capacity, and coordinate the orderly issuance of revenue bonds for the fund.

**Indenture of trust**

The current legal document, as amended from time to time, between the board and the investment community that describes the issuance, use, organization, management, delivery, and redemption of revenue fund bonds and proceeds.

**Other bond costs**

Any other costs payable at the time of the revenue bond sale, such as the collection of one year of debt service to be placed in reserve and an underwriter discount fee.

**Program**

An eligible use or activity housed in a Revenue Fund facility. For example, an eligible use or activity may include student living quarters, food service, space for student activities and locations for student groups to meet, exercise programs, or other use or activities offered in support of students and student life.

**Project**

A revenue-generating facility, facility renovation, or land that is or will be financed by the issuance of Revenue Fund bonds or through the use of other Revenue Fund assets.

**Property**

Real property acquired or underlying a Revenue Fund-financed facility.

**Rating agency**

Includes Moody's Investors Service, Standard & Poor's Financial Services LLC, Fitch Ratings Inc., or such other nationally recognized credit rating agency, which has been selected to issue a rating on bonds, and their successor organizations.

**Revenue Fund or the Fund**

The statutorily-established, restricted enterprise fund for use in issuing bonds, managing bond financing and governing operations of certain revenue-generating facilities at our colleges and universities.

**Series resolution**

A resolution adopted by the board authorizing a specific Revenue Fund bond sale and governing the obligations of the bond sale in coordination with the indenture of trust.

**Part 4. Responsibilities**

The chancellor delegates the specific responsibility for the operations of the programs and facilities in the Revenue Fund to the college and university president. The chancellor is responsible for oversight of the financial and legal operations of the Fund, such as management of bond proceeds, debt payment, reporting to the Board of Trustees, the legislature, state government, federal government, rating agencies, and the overall financial community. The presidents shall have the responsibility to manage the local operations of Revenue Fund supported programs. Revenue Fund operations must adhere to appropriate Internal Revenue Service (IRS) rules and tax requirements.

**Subpart A. Bonding**

The Revenue Fund offers revenue bond financing for qualifying capital projects in support of a state college or university. Revenue Fund bond proceeds must be used for the specific board-approved project described in a Revenue Fund bond sale. Separate board approval is required for any use of revenue bond proceeds outside the scope of original project approval.

**Subpart B. Property and monies in the Revenue Fund**

Facilities are part of the Revenue Fund if either (i) the building, improvement, or land is financed in whole or in part by the issuance of Revenue Fund bonds, or (ii) the board declares by resolution that a building, improvement, or land and its revenues are part of the Revenue Fund. All revenues generated in or by the facilities are part of the Fund and pledged to the repayment of Revenue Fund principal, interest, operations, and maintenance. Property remains in the Fund unless moved out by action of the board or pursuant to the bond indenture. Facilities may be jointly funded with other sources, but a clear definition of both property and revenue parameters must be agreed to and documented by all parties and approved by the chancellor or designee.

### **Subpart C. Comprehensive facilities planning**

Colleges and universities shall identify and incorporate Revenue Fund-eligible projects as part of their regular comprehensive facilities planning efforts and documents. Colleges and universities are expected to develop other planning documents, such as housing or residential life facilities plans, parking studies, and related evaluations, to supplement and be in concurrence with their overall campus facilities comprehensive plans.

### **Subpart D. Design and construction**

A campus that seeks Revenue Fund bond financing for a project shall first submit a predesign and financial pro forma to the Associate Vice Chancellor for Facilities to determine project feasibility. Design and construction of Revenue Fund projects are subject to the same or similar processes as are applicable to all other capital projects for the colleges and universities.

## **Part 5. Student Consultation**

All Revenue Fund projects are subject to the student consultation process and requirements as defined by Board Policy 2.3 Student Involvement in Decision Making.

## **Part 6. Financial Plans and Fees**

### **Subpart A. Annual financial plan and fee approvals**

As part of the annual operating budget approval process, colleges and universities with Revenue Fund facilities shall submit to the Associate Vice Chancellor for Facilities an annual statement of revenues, expenses, and other operating charges, including indirect costs levied against the Revenue Fund. A fee schedule must be provided to the board for approval prior to each fiscal year, which describes in sufficient detail the rates and fees students pay for a revenue fund facility. Fees must be collected to meet ongoing financial obligations, including, but not limited to, payment of debt service, ongoing operations, funding for repair and replacement, design work for a future project, and no less than three (3) months of operating reserves.

### **Subpart B. Facility usage fees and indirect costs**

Adequate fees must be charged for the use of Revenue Fund facilities. A college or university may recover indirect costs from revenue fund facilities consistent with System Procedure 7.3.4. Similarly, a college or university shall reimburse the Revenue Fund program for indirect costs incurred by the Revenue Fund facilities or programs. All indirect costs must be reasonable, based on documented principles and procedures, and based on reliable financial and other information.

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Date of Adoption: 05/19/11  
Date of Implementation: 06/01/11

Date of Last Review: 01/28/22

Date and Subject of Amendments:

01/28/22 – As part of the 5-year review process, amendment contained technical edits and application of the new formatting and writing standards.

10/31/16 – Wording and formatting changes throughout for clarity and consistency with other policy and procedures.

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.

No additional HISTORY