

9.008 University Auxiliary Facilities with Outstanding Revenue Bonds.

(1) Certain outstanding state university system bond issues for auxiliary facilities have covenants that state: "The Board of Governors shall annually, at least ninety (90) days preceding the beginning of each fiscal year, or at any other time as requested by the Board of Administration, prepare a detailed budget providing reasonable estimates of the estimated current revenues and expenses of the university during the succeeding fiscal year and setting forth the amount to be deposited in the (facility name) Maintenance and Equipment Reserve Fund. The budget shall be adopted by the Board of Governors and shall not be changed during the fiscal year except by the same procedure by which it was adopted."

(2) In order to satisfy bond covenant requirements specified in (1), it is necessary for each university to develop and submit, in advance of the annual submission of institutional budgets in August, operating budget detail approved by the University Board of Trustees for auxiliary facilities with such bond covenants and to report the anticipated amount to be deposited in the (facility) Maintenance and Equipment Reserve Fund(s). The reserve fund amount for each auxiliary bond issue shall be determined by each university's Board of Trustees in accordance with institutional policy and/or bond covenant requirements. Other reserve accounts may be established as warranted including, but not limited to, a debt service reserve and a general liability reserve.

(3) Universities shall prepare an Income and Expenditure Statement, in a format provided by the Board of Governors, for each auxiliary bond issue (or series issue as amended) ~~containing these bond covenants.~~ However, only where specifically required by bond covenants must these Income and Expenditure Statements be submitted to the Board for approval. The required annual submission date shall be established by the Board General Office, but shall be no later than ninety (90) days prior to the beginning of the fiscal year reporting period. The financial information provided will be presented to the Board of Governors for approval as soon as meeting scheduling permits.

(4) When required by bond covenants, the operating budget for auxiliary facilities must be approved by the Board of Trustees in advance of submission to the Board of Governors, must identify the planned beginning and ending reserve amounts, and planned use of reserves. Reserves may be used as authorized by the approved Income and Expenditure Statements including, but not limited to, such items as planned or unplanned capital expenditures for related auxiliary facilities, capital planning, mitigation of interest rate risk, temporary cash flow purposes, or other purposes related to the auxiliary programs. In determining the appropriate level of auxiliary facility reserves, the focus should be on the long-term sustainability and affordability to the student of the auxiliary program. Coverage should be adequate to comply with bond covenants, and each university may establish higher target coverage levels where needed to maintain or improve credit ratings.