

# University of Missouri

## **Guidelines for Capital Planning** Including the FY 2020 Capital Plan FY 2021 Capital Appropriations Request and Higher Education Capital Fund Request



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## Introduction

The Capital Planning process at the University of Missouri is a five year revolving cycle broken down into three levels.

- Campus Approval (Chancellor and Campus CFO/Hospital CEO and CFO) required on all on all new construction or additions with a construction cost up to \$500,000; and on all renovations and infrastructure projects with a construction cost up to \$500,000.
- System Approval (President and System CFO) required on all on all new construction or additions with a construction cost greater than \$500,000 and less than \$5 million project cost; and on all renovations and infrastructure projects with a construction cost greater than \$500,000 and less than \$8 million project cost.
- Board of Curators Approval required on all new construction or additions with a total project cost greater than \$5 million; on all renovations and infrastructure projects with a total project cost greater than \$8 million; and all projects requesting State funding (State Capital Appropriation Request or Higher Education Capital Fund Request).

The cycle begins each July with the initial list of projects submitted by the campus to system in September with the capital plan approval in April. **Any deviation** to the plan (urgent projects not on the capital plan in April) the following approvals apply:

- Campus Approval (Chancellor and Campus CFO/ Hospital CEO and CFO) required on all on all new construction or additions with a construction cost up to \$250,000; and on all renovations and infrastructure projects with a construction cost up to \$250,000.
- System Approval (President and System CFO) required on all on all new construction or additions with a construction cost greater than \$250,000 and less than \$2 million project cost; and on all renovations and infrastructure projects with a construction cost greater than \$250,000 and less than \$5 million project cost.
- Board of Curators Approval required on all new construction or additions with a total project cost greater than \$2 million; on all renovations and infrastructure projects with a total project cost greater than \$5 million; and all projects requesting State funding (State Capital Appropriation Request or Higher Education Capital Fund Request).

These Guidelines are designed to facilitate communications about major capital project plans among campus administrators and between the campus, the System administration and the Board of Curators. More comprehensive knowledge of the campuses' capital plans will support effectively leveraging the various sources of capital: state, federal, private, institutional, and debt. All major capital projects should be reviewed by campus administrative and facilities staff to ensure the projects are in conformance with campus strategic and facility master plans, that sufficient programming is provided to determine the scope of improvements, and that appropriate cost estimates are performed.

The campuses should keep their physical facilities master plans current and updated as necessary, with approval from the Board of Curators not less than every five years. More frequent updates may be necessary if changes to the plans are required.

The campuses shall rank each project based on the priorities set forth in the physical facilities master plans. The top project will have all efforts provided to move the project forward by securing funds. The top project does not require a State Capital Appropriation Request for the current year. To provide guidance for ranking each project on each campus, a Facilities Stewardship Index is provided within the guidelines.

As part of the Capital Plan, the Facilities Condition Needs (FCN) Target as determined by ISES to maintain the overall campus condition at a 0.30 shall be stated, with the campuses projected total spend towards this target for each year. The total spend should include both capital and non-capital spend.

## Capital Project Submittal Schedule

Date	Description		
July 1, 2018	Guidelines distributed.		
August 16, 2018	Backup, Summary, and associated documents are due from the Campus to Facilities Planning and Development.		
August 24, 2018	Backup, Summary, and associated documents are due from Facilities Planning and Development to VP of Finance. Final edits requested by VP of Finance are done by Facilities Planning and Development.		
TBD	VP of Finance will review with Campus CFOs.		
August 30, 2018	Backup, Summary, and associated documents are due from VP of Finance to UM System President. Final edits requested by UM System President are done by Facilities Planning and Development.		
TBD	UM System President and VP of Finance will review with Campus Chancellors.		
September 19, 2018	Campus Chancellors will present projects to UM System President, VP of Finance, and Board of Curators Finance Committee.		
February 15, 2019	Backup, Summary, and associated documents are due from the Campus to Facilities Planning and Development.		
February 25, 2019	Backup, Summary, and associated documents are due from Facilities Planning and Development to VP of Finance. Final edits requested by VP of Finance are done by Facilities Planning and Development.		
TBD	VP of Finance will review with Campus CFOs.		
March 1, 2019	Backup, Summary, and associated documents are due from VP of Finance to UM System President. Final edits requested by UM System President are done by Facilities Planning and Development.		
March 8, 2019	Backup, Summary, and associated documents are due from the Campus to Facilities Planning and Development.		
TBD	UM System President and VP of Finance will review with Campus Chancellors.		
March 18, 2019	Backup, Summary, and associated documents are due from Facilities Planning and Development to VP of Finance. Final edits requested by VP of Finance are done by Facilities Planning and Development.		
March 19, 2019	Campus Chancellors will present projects to UM System President, VP of Finance, and Board of Curators Finance Committee.		
March 22, 2019	Backup, Summary, and associated documents are due from VP of Finance to UM System President. Final edits requested by UM System President are done by Facilities Planning and Development.		
April 11-12, 2019	Board Approval of Campus Capital Plans and State Capital Appropriations Request.		
June 21, 2019	Backup, Summary, and associated documents are due from the Campus to Facilities Planning and Development.		
July 1, 2019	Backup, Summary, and associated documents are due from Facilities Planning and Development to VP of Finance. Final edits requested by VP of Finance are done by Facilities Planning and Development.		
July 5, 2019	Backup, Summary, and associated documents are due from VP of Finance to UM System President. Final edits requested by UM System President are done by Facilities Planning and Development.		
July 26, 2019	Board Information Item – Communication Plan		
July 2019	Submit State Capital Appropriations Request to CBHE.		
September 2019	State Capital Appropriations Request marketing materials are prepared.		
<b>Fall Fin. Comm. Mtg.</b>	<b>Spring Fin. Comm. Mtg.</b>	<b>April BOC Mtg.</b>	<b>June BOC Mtg.</b>

## Definitions

Capital Project Submittal Schedule: This schedule, included in these guidelines, identifies the key milestones and actions leading to the publication of the Capital Report and the review, approval, and submittal of the State Capital Appropriation Request.

Debt Funded Projects: Projects that require debt funding will be reviewed by the Treasurer.

Facility Stewardship Index (FSI): Each campus will provide a FSI for each of its capital projects using the Facility Stewardship Index criteria included in this document. The FSI consists of the Mission Index, the Sustainability Index and the Funding Index for each project. A justification for each score is required as part of the index.

Federal Appropriation Requests: Federal appropriation requests will be submitted with the Capital Report and have the same schedule, supporting documentation, and approval requirements.

Higher Education Capital Fund (HECF) or 50/50 Projects: is a state appropriation avenue for requesting capital for projects with at least 50% of the project funding from private donations or grants. The projects are limited to new construction, rehabilitation, maintenance, renovation, or reconstruction only, and may not be for athletic facilities, parking structures, or student housing. The General Assembly appropriates moneys to the fund, the State may not issue bonds to fund the HECF, and no moneys distributed without a line item appropriation for a specific project. The school must demonstrate the 50% project cost is from private donations or grants, and no matching funds can come from the institutions operations budget, tuition, fees, revenue or general obligation bonds or state appropriations. Application is available online on the FPD Design and Construction Document Page. Please see RSMo 173.480 for complete details for the program.

New Construction: New Construction includes the construction of new buildings, additions to existing buildings, and the acquisition of land and facilities. Work in this category will include all site improvements, utilities, building systems, and equipment required to create a functional facility to serve its intended use. Renovations may be included if they are part of a larger, new construction project.

Program Planning Study: A Program Planning Study (PPS) is recommended for all major capital construction projects and is required for projects where state or debt funding is requested in the coming fiscal year. A PPS describes and systematically justifies the need for improved or expanded facilities; evaluates alternate solutions; and prescribes a strategy to implement a recommended solution within the context of each campus strategic academic plan and Physical Development Plan. The PPS guidelines are included later in these guidelines. A PPS or equivalent planning study is recommended for all projects planned to be funded in the near term.

Renovation: Renovation is the construction work to existing facilities to adapt a facility to a new use or respond to changes in existing programs, and/or correct building deficiencies. Work in this category will substantially alter buildings, equipment, grounds or utilities. Building deficiencies include deferred maintenance, work to improve compliance with current fire and safety code standards, work necessary to bring facilities housing laboratory animals up to standards such as NIH Guidelines, AALAC standards, and USDA Regulations, and work required to make facilities and programs accessible to the physically disabled following the Americans with Disabilities Act.

State Capital Appropriation Request: The University makes an annual State Capital Appropriation Request. Campuses submit prioritized requests according to the schedule in these guidelines. Individual State Capital Appropriation Requests will fall into the following categories:

1. Capital Improvements (Renovation and New Construction) - These are all current request year construction projects. These include HEFC projects.
2. Five Year Plan - These are future year requests for projects up to 5 years beyond the current request year.

STEM Fields for Missouri Performance Funding (by CIP Code): The State of Missouri has identified STEM. A list of the codes are included later in these guidelines.

Project Justification: Describe the benefits of the proposed project as it relates to improving the quality, availability, and support of the academic program(s) affected. Include as much of the following information as appropriate:

1. Describe the link between this program and the campus strategic, academic and physical development plans.
2. Justify the space request with the space analysis done in the need assessment. Show how this project meets the space need documented above. Provide a detailed summary of special facilities, the programs and activities that will occur in the space including any proposed non-university funded activities and facilities available for campus-wide use.
3. Outline the capacity of the facility in terms of program needs over time. Identify requirements for future expansion and describe the flexibility built into the proposed facility to accommodate future program changes.
4. Describe how the new or renovated facility affects other programs. Identify programs that will occupy the vacated space or programs that will be temporarily assigned to the new or renovated space until the primary program grows into the space.
5. Illustrate cost/benefit analysis of the project related to energy conservation, operational costs, utility costs, etc.
6. Describe the consequences to the academic, research or service mission of the program if the project is not accomplished according to the proposed schedule. Describe default plans, if any.
7. Describe the plan to use any space vacated by this project and include a summary of all costs that may result.

Project Description: Provide a narrative that describes the site, building size, and any special features that will help in supporting the project. Include as much of the following information as appropriate:

1. Describe and illustrate the selected site and explain the benefits and relationship to the campus Physical Development Plan. Point out any special site development goals that will be accomplished.
2. Provide a summary of the existing and proposed space programs for the total project (i.e., classroom, laboratories, offices, etc.). Show any changes in space type or assignments of existing facilities. Identify the planned efficiency ratio of the facility such as net assignable square feet to gross square feet.
3. Describe the type of construction anticipated and any special construction requirements of the facility.

Year: List the fiscal year the project is anticipated to be funded [started]. If a year is not known, list it as TBD or To Be Determined. State Requests should list a specific fiscal year.

Operating Expense Impact: For all projects, note the dollar sum of all projected annual expenses necessary to operate the facility. This cost will include facility maintenance, custodial and utilities.

Facilities Condition Needs Impact: For all projects, note the dollar total of any deferred maintenance, renewal, and/or adaption eliminated by the proposed construction.

Facilities Condition Needs Index (FCNI): For all projects note the FCNI which is the total of Deferred M&R, Renewal and Adaption divided by the replacement cost values. The FCNI is zero for new buildings/additions unless some space is retired because of the new construction.

Inflation: FPD will provide the inflation in January. The inflation will be based on the ENR Construction Cost Index for the average of Kansas City and St. Louis. The inflation will be applied to all existing projects listed in the Five Year Campus Capital Plan.

Sources of Funding: Include all projected sources of funds. Available categories include: State Appropriation, Federal Request/Grant, Gifts, Debt, and Other

State Economic Impact of State Capital Request Projects: Capital Projects help with the health of the economy beyond the actual construction of the project. FPD will use the most current edition of The Contribution of Office, Industrial and Retail Development and Construction to the U.S. Economy and use the multipliers from the National and State Multipliers for Output, Earnings, and Employment Multipliers: Construction. All values will be based on the total cost of the project. The most current multipliers will be distributed in January.

Examples of the calculations are:

- Impact on GDP = Total Cost \* 2.1393,
- Earnings Generated = Total Cost \* 0.6519,
- Jobs Supported = Total Cost / 1,000,000 \* 15.4292.



## Program Planning Study (PPS)

A Program Planning Study (PPS) describes and systematically justifies the need for improved or expanded facilities; evaluates alternate solutions; and prescribes a strategy to implement a recommended solution within the context of each campus strategic, academic (master) plan, and Physical Development (Master) Plan. It should clearly explain how the recommended solution would address both qualitative and quantitative deficiencies identified for a particular program.

The PPS serves four very important functions:

1. It allows objective evaluation and prioritization of capital needs.
2. It provides the foundation for project objectives, scope, and budget, as a basis for agreements between the Campus, System Administration, and external agencies.
3. It provides a guide for further planning, design, and development.
4. It provides project justification information. A PPS is required before a project may be included in the University's current capital and federal budget appropriations

### I. Needs Assessment

#### 1. Academic Program and Space Allocation Plan

A. Provide background information on the campus strategic plan, academic plan, and Physical Development Plan as it relates to a specific academic program(s). This information, drawn from historical perspectives, recent experience, and future trends, should clearly describe the program requirements.

B. To simplify comparative analysis and to allow for the evaluation of current capacity and projected costs, the information provided in this section should include the following detail:

- 1) Summarize the current mission statement of the program and its relationship to the academic plan. Show projected growth in general credit hour enrollment of the particular program, and all teaching loads in support of other programs. Explain the assumptions that support the projections used. These may relate to anticipated demand for skills, local or national job market, age or type of population being served, etc. Projections should include 5, 10, and 15-year horizons.
- 2) Compile information related to current space assignments from the University's Facilities Inventory. Show current assignments by type of space and location. Compare space utilization against established campus and national utilization standards, and information from benchmark programs. Point out any qualitative issues related to existing assignments that support the need for the proposed project.
- 3) Determine space needs based on current and projected enrollment and staffing levels using established campus space guidelines, space assignments of comparator programs, and/or nationally recognized standards (e.g., WICHE, University of Minnesota, Colorado Commission of Higher Education, etc.).
- 4) Provide a narrative explaining parameters used in analyses about day vs. night use, credit hour to contact hour conversions, faculty participation in research, student office policies, etc. Include the calculations used to determine space needs.

2. Analysis: Provide a comprehensive evaluation of alternate solutions to the needs identified in the previous section. This analysis should include the short and long-range implications to both the program and the Physical Development Plan, and operational and life cycle costs.

### II. Recommended Improvements

1. Project Description: Provide a narrative that describes the site, building size, and any special features that will help in supporting the project. Include as much of the following information as appropriate:

- A. Describe and illustrate the selected site and explain the benefits and relationship to the campus Physical Development Plan. Point out any special site development goals that will be accomplished.
  - B. Provide a summary of the existing and proposed space programs for the total project (i.e., classroom, laboratories, offices, etc.). Show any changes in space type or assignments of existing facilities. Identify the planned efficiency ratio of the facility such as net assignable square feet to gross square feet.
  - C. Describe the type of construction anticipated and any special construction requirements of the facility.
2. Project Justification: Describe the benefits of the proposed project as it relates to improving the quality, availability, and support of the academic program(s) affected. Include as much of the following information as appropriate:
- A. Describe the link between this program and the campus strategic, academic and physical development plans.
  - B. Justify the space request with the space analysis done in the need assessment. Show how this project meets the space need documented above. Provide a detailed summary of special facilities, the programs and activities that will occur in the space including any proposed non-university funded activities and facilities available for campus-wide use.
  - C. Outline the capacity of the facility in terms of program needs over time. Identify requirements for future expansion and describe the flexibility built into the proposed facility to accommodate future program changes.
  - D. Describe how the new or renovated facility affects other programs. Identify programs that will occupy the vacated space or programs that will be temporarily assigned to the new or renovated space until the primary program grows into the space.
  - E. Illustrate cost/benefit analysis of the project related to energy conservation, operational costs, utility costs, etc.
  - F. Describe the consequences to the academic, research or service mission of the program if the project is not accomplished according to the proposed schedule. Describe default plans, if any.
  - G. Describe the plan to use any space vacated by this project and include a summary of all costs that may result.
- III. Project Costs and Schedule: Provide a summary of cost projections and the assumptions they are based on. Identify costs for architectural and engineering requirements by major building component (i.e., structural shell, electrical, HVAC, plumbing, etc.). Include estimated costs for consultant fees, construction contingencies, furniture, fixtures, movable equipment, landscaping, and project administration fees, as part of the total project budget. Also, identify capital costs for other projects associated with this project, including the cost to finish shelled space.
- IV. Funding Plan: Describe all anticipated sources of funds including state and federal appropriations, debt, gifts, grants, cash reserves, and/or other revenues and cost avoidances.
1. State and Federal appropriations are discussed in these Capital Plan Guidelines.
  2. Debt financed projects should be discussed with the Office of the Treasure.
  3. Capital gifts should be coordinated with the campus development office. It is important that realistic capital gift goals be developed early in the early stages of the project planning.
  4. A project funding plan 'pro forma' statement [business plan], similar to that described in the Financial Plan Requirements for Debt Funded Projects (below) is a useful tool in measuring the strength of the funding plan and identifying opportunities for funding projects from multiple sources. It is essential for any project funded by debt that a pro forma cash flow is developed that demonstrates the ability to cover the debt payments. A project business plan is necessary for auxiliary funded projects, such as parking, housing, etc. However, academic projects, traditionally funded with external support [such as state

appropriations], can also be analyzed with a business plan approach by considering cash flows built on the project's impact on campus revenue [such as student credit hours], and cost, including any anticipated cost avoidance, economies, opportunity costs, and economic payback. However, a business plan can be used to identify campus/state shares for capital improvements that cannot be single source funded.

- V. Operating Expense: Identify the project costs associated with opening new buildings and the impact on the annual operating budget. Explain the method of arriving at these costs, show the base data and formulas used, and identify funding sources.
- VI. Deferred Facilities Need Impact: Identify all deferred maintenance, renewal, and/or adaption eliminated by the proposed construction including a listing of deficiencies, impact on building and campus FCNI, and dollar total. Describe how this was determined, for example: ISES facility audit.
- VII. Supporting Documents: include either within the report or as an appendix the following documents:
  1. A site plan showing project location.
  2. The Physical Development Plan showing the relationship of the proposed project to the existing fabric of the campus.
  3. The latest Accreditation Report or related correspondence.
  4. The architectural program for the proposed project. Provide space and functional relationship diagrams of new, renovated, and existing facilities as proposed.

## Financial Plan Requirements for Debt Funded Projects

1. A financial plan will be required for projects seeking University debt financing. These financial plan requirements are applicable for both auxiliary enterprise projects and academic program projects.
  - A. The financial plan shall outline all expected revenues and expenses until the debt is fully paid, which should occur before the projects expected useful life.
    - 1) Clearly defined revenue stream with detailed information on its source.
    - 2) Takes into account the effects of inflation.
    - 3) Include any programmatic initiatives.
    - 4) Appropriate expenses for type of building and type of construction.
    - 5) Debt repayment terms and interest cost should be obtained from the University Treasurer's office.
2. Adequate maintenance & repair reserves need to be included at 1.5% of the facility replacement cost. Questions regarding data to be provided should be forwarded to the University Treasurer's office.
3. It is also preferred that campuses provide some equity for the project. If the facility is to have any private business use, this should be disclosed early in the initial planning stages so that tax counsel can review the use. Private business use can include relationships or leased space with such outside vendors as:
  - A. Food service/catering.
  - B. Bank facilities & ATM's.
  - C. Management companies.
  - D. Certain types of research agreements.
4. Guidelines for bond funded projects include:
  - A. Private business use should be kept to a minimum.
  - B. Provide reliable spend down schedules.
  - C. Funds should be spent as quickly as possible. Spend down schedules should be developed in coordination with the University Treasurer's office before the debt is issued. If it is anticipated that the project will have a construction period longer than 2 years, other arrangements can be made to accommodate, if known ahead of time.
5. On an annual basis, the campuses will provide the Treasurer's office financials for each project showing actual results versus planned results and explaining any variances.

Reference Central Bank Policies for internal loan process.

## State of Missouri STEM Definition

The State of Missouri has identified STEM as a state initiative. Missouri Department of Higher Education (MDHE) has identified CIP Codes that are considered STEM Fields for Missouri Performance Funding.

STEM fields include a wide range of disciplines, and there are different ways to identify the disciplines included in STEM. For example, the National Science Foundation defines STEM fields broadly, including not only mathematics, natural sciences, engineering and computer and information sciences, but also such social/behavioral sciences as psychology, economics, sociology and political science. A similar and somewhat narrower list is published by federal Immigration and Customs Enforcement that deals with student visas. In April of 2011, the National Center for Education Statistics issued a report entitled “Postsecondary Awards in Science, Technology, Engineering and Mathematics, by State: 2001 and 2009” that used some, but not all of the fields published by ICE. Thus there is no one generally accepted list of STEM instructional programs used by the federal government or the higher education community. For this recommendation regarding performance funding, the STEM fields to be used closely mirror the ones used by the NSF and in the NCES study but adds fields of particular importance to Missouri such as agriculture, natural resources/conservation and the STEM education fields.

STEM Fields for Missouri Performance Funding (by CIP code):

- 01 – Agriculture, agriculture operations, and related sciences
- 03 – Natural resources and conservation
- 10 – Communication technologies/technicians and support services
- 11 – Computer information sciences and support services
- 13 – Education (STEM-related: 13.063, 13.1309, 13.1311, 13.1316, 13.1319, 13.1320, 13.1321, 13.1322, 13.1323, 13.1329, 13.1335)
- 14 – Engineering
- 15 – Engineering technologies and engineering-related fields
- 21 – Technology education/industrial arts
- 26 – Biological and biomedical sciences
- 27 – Mathematics and statistics
- 29 – Military technologies and applied sciences
- 30– Interdisciplinary Studies (STEM-related: 30.0101, 30.0601, 30.0801, 30.1001, 30.1801, 30.1901, 30.2501, 30.3201)
- 40 – Physical sciences
- 41 – Science technologies/technicians
- 47 – Mechanic and repair technologies/technicians

# MDHE Capital Improvement Project Analysis Tool

- **Construction/Renovation of state facilities including higher education**
  - Legal obligation/federal mandate/state legislation, etc.
  - Urgency of need
  - Total Funding needs including non-State funds
  - Impact on operating costs
  - Historic value
  - Potential costs/benefits
  - Previous appropriations
  - Time frame of project
- **Maintenance and Repair of state facilities**
  - Urgency of need
  - Cost avoidance
  - Legal obligation/federal mandate/state legislation, etc.
  - Impact on operating costs
  - Funding needs
  - Historic value
  - Potential costs/benefits
  - Previous appropriations
  - Time frame of project
- **Public Transportation**
  - Urgency of need
  - Economic impact
  - Environmental considerations
  - Impact on service to the public
  - Overall cost/benefit analysis
  - Total project costs including non-state funds
  - Time frame of project
- **Technology Infrastructure**
  - Urgency of need
  - Funding needs
  - Impact on operating costs
  - Cost/benefit analysis
  - Time frame of project
- **Other one-time funding uses**
  - Legal obligation/federal mandate/state legislation, etc.
  - Economic impact
  - Urgency of need
  - Impact on operating costs
  - Environmental considerations
  - Potential Costs and Benefits
  - Total Project Costs including non-state funds
  - Time frame of project

# University of Missouri System Central Bank Policies

## I. General Pool Internal Interest Rate

- A. Objective** – The General Pool internal interest rate will be set to provide a known investment return on applicable working capital balances, creating predictability for budgeting and planning for campus departments.
- B. Responsibilities and Authorities for Setting the Internal Interest Rate** – Recommendations for changes in interest rates shall be made by the Committee and approved by the CFO. The first priority in assessing changes to interest rates is the level of funding for the Reserve for Market Volatility. The second priority in assessing changes to interest rates is a review of general market conditions and market interest rates paid on other comparable cash instruments.
- a. Campus Eligible Cash Balances (excluding MU Health Care) - On an annual basis, as part of the budgeting process for the following fiscal year, the Committee shall review and, if appropriate, recommend changes to the internal interest rate. The rate will be determined before completion of the annual budgeting process and will be communicated to the campus budget offices. While the intent is to hold the interest rate constant throughout the following fiscal year, adverse funding levels of the Reserve for Market Volatility could cause a cut in the interest rate (as described in Section II(D)).
  - b. MU Health Care – An interest rate shall be determined separately for eligible cash balances. The rate will be reviewed on a quarterly basis by the Committee and remains subject to any restrictions outlined in Section II(D).
- C. Penalty for Negative Balance** - If an interest earning account holds a negative cash balance, the account will be charged using the same interest rate paid to positive cash balances.

## II. Reserve for Market Volatility

- A. Objective** – To fund and maintain an internal reserve to absorb and manage all market risks associated with the investment of the General Pool.
- B. Target Balance** – Calculated using the following formula:
- a. 3% of the 12-month rolling average of the General Pool's market value
- C. Operation of the Reserve for Market Volatility** – On a monthly basis, net investment income (or loss) after interest payments, expenses and other distributions is added to or deducted from the reserve.
- D. Management of the Reserve for Market Volatility** – As part of regular monthly meetings, the Committee shall review the funding level of the reserve in conjunction with investment performance, general market conditions, risks and trends. If the reserve is funded at less than

*Approved by AMC – May 15, 2017*

2.0% of the 12-month rolling average of the General Pool market value, no increases in interest rates paid on eligible cash balances may be approved or implemented. If the reserve falls below 1% of the 12-month rolling average of the General Pool's market value, the Committee should consider lowering the interest rates paid on eligible cash balances.

### III. Dividend Payments

- A. Calculation of the Dividend Payment** – At the end of each fiscal year, a dividend may be paid if the 3-month rolling average of the Reserve for Market Volatility exceeds the Target Balance. The amount of the dividend would be the amount by which the 3-month rolling average of the Reserve for Market Volatility exceeds the Target Balance at the end of the fiscal year.
- B. Responsibilities and Authorities for Dividend Payments and Use** – Dividend payments should not be considered a source of recurring funding as the existence and amounts of dividend payments will vary from year to year. Dividends will generally be used for campus strategic initiatives as well as system-wide strategic initiatives that benefit each of the campuses. The intent of dividend allocation is that each of the four campuses (MU Health Care excluded) shall accrue a pro rata share of dividend payments each year based on respective campus cash balances. While the actual distribution of dividend payments in any one year may not reflect a pro rata allocation, the intent is to accomplish a pro rata allocation among the campuses over three-year rolling cycles. While the President will consult with campus chancellors during the allocation process, the President retains sole authority to approve the allocation and use of any dividend funds.

### IV. Interest Eligible Accounts

- A. Objective** – To determine which accounts are eligible to receive interest income on their cash balances.
- B. Interest payments** – On a monthly basis, UM System will calculate the interest and distribute it to eligible accounts. The amount of interest paid will be the current monthly internal interest rate multiplied by the ending monthly account cash balance for each specific account.
- C. Funds Eligible for Interest Distribution** – The following funds will be eligible to receive an interest payment on their balances:
- a. **Long-term Financing and Investing Funds** - Long-term financing and investing type funds will automatically receive investment income. These funds generally represent funds with large balances, multi-year uses, and large cash outflows where maintaining purchasing power over time is vital for the fund's purpose. These funds are purposed for spend over multiple years, and if interest is not paid, the department will be required to fund inflation.
    - Restricted Plant Funds
      - Unspent Bond Proceeds (Funds 2300-2310, Program L8300-L8399)

*Approved by AMC – May 15, 2017*



- Capital Gifts (Program L8500-L8599)
  - Unrestricted Plant Funds
    - System Facilities Plant Programs (Program L8600-L8699)
    - Capital Pool (Fund 1050)
  - Endowment Funds (Fund 1200-1220, 3100-3105, and 3000-3025 Program L0000-L3999), Agency Spending Accounts Invested in Endowment Pool (6015)
  - Loan Programs (Fund 1100 and 3400, Program L6000-L6999)
  - Self-Insurance Funds (Funds 0900-0960)
  - Retirement Fund (Fund 5000)
- b. **Purpose Restricted Funds** - Funds held on behalf or donated by other entities are automatically in-scope to receive investment income. These balances are held by the University, but the University does not have the ability to control either what the funds are spent on or when the funds are spent.
- Expendable Gift and Endowment Programs (Program L4000-L5999 and Program L0000-L3999)
  - University Development Funds
- c. **Business-Type Funds** - Certain auxiliaries and business type activities are also eligible to receive investment income on their cash balances. In industry, these types of business activities would have a means to invest excess working capital, and earn a return on the working capital. The following funds will be eligible to receive an interest distribution:
- Hospital (Fund 0581-0595)
  - Intercollegiate Athletics (Fund 0100)
  - Bookstore (Fund 0300)
  - Dining Services (Fund 0310)
  - Housing (Fund 0315)
  - Multipurpose Auditorium (Fund 0325)
  - Parking (Fund 0330)
  - Residence Hall Parking (Fund 0340)
  - University Centers (Fund 0350)
  - Recreation Facilities (Fund 0365)
  - MORENET (Fund 0611)

## V. Issuance and Review of Internal Loans

**Background** — In implementing its capital and operating programs, the University may grant internal loans for a specific project or use. These loans are typically for capital projects, but may also be for small acquisitions or projects and occasionally to provide bridge funding pending the receipt of pledged gifts.

*Approved by AMC – May 15, 2017*

- A. Loan Requests** - Detailed project information must be provided to the Treasurer's Office by the potential borrower at least two months prior to the Board meeting for which approval has been scheduled. Information to be provided include:
- a. Completed loan application
  - b. Written business case for project
  - c. Proforma financial information
    - i. Detailed historical revenues and expenses for the past 5 years
    - ii. Anticipated revenues and expenses for the next 10 years
    - iii. Reserves for maintenance and repair
    - iv. Debt coverage ratio
- B. Approval of loans** – All loan requests must be approved by the Committee. Certain loans may also require approval by the Board of Curators as determined by the Collected Rules and Regulations.
- C. Loan terms** –
- a. **Interest rate** – The interest rate for loans will be reviewed at least annually by the Committee. Factors considered in setting the rate include current market rates, the University's weighted average cost of capital and a minimal spread needed for administration of the Central Bank.
  - b. **Minimum balance** - \$50,000
  - c. **Term** – The term of the loan cannot exceed the useful life of the asset.
  - d. **Repayment** – The loan will be repaid with monthly payments of principal and interest.
  - e. **Loan prepayment** – Requests for prepayment of all or a portion of an outstanding loan should be directed to the Treasurer's Office for consideration by the Committee. Approval will be dependent upon the prepayment's overall impact to the Central Bank.
- D. Ongoing loan reviews** – The Committee shall establish procedures for a risk-based, systematic review of outstanding loans on a quarterly basis. Based on these screening procedures, individual loans may be identified for further analysis, which should include a review of actual vs. expected performance metrics pertinent to the particular loan. If warranted, this review should include discussions with the business unit fiscal officer responsible for oversight of the loan as well as the campus chief financial officer. To the extent concerns remain after such review and discussions have taken place, the Committee may request a formal plan of action from the campus chief financial officer. The UM System CFO should be briefed on any such plan of action and, if material, should direct the campus to present the formal plan of action at the next campus budget meeting held with the President.

*Approved by AMC – May 15, 2017*

## Documents to be Prepared and Submitted for the Board of Curators Finance Committee Fall Meeting

1. Campus Masterplan
2. Five Year Preliminary Campus Capital Plan for BOC Level Approval
  - a. Project Summary and Backup
    - i. Executive Summary
      1. Project Description
      2. Project Justification
      3. Estimated Project Cost
      4. Estimated Project Funding Strategy
      5. Building Profile
        - a. Facility Name
        - b. Project Type
        - c. Facility Stewardship Index (FSI)
        - d. Facility Age
        - e. Facility GSF
        - f. Facilities Condition Needs Amount
      6. List of Colleges/Programs/Degrees hosted
      7. Number of Students Impacted
      8. Project Schedule
      9. Estimated Operating Expense
      10. Estimated Facilities Condition Needs Addressed in project
      11. Estimated GSF Impacted by project
    - ii. Facilities Stewardship Index with scores and justification
    - iii. ISES Information
      1. ISES Executive Summary
      2. ISES Facility Condition Assessment
      3. ISES Photo Log
      4. ISES Facility Condition Analysis
    - iv. Program Planning Study
3. Campus Facilities Condition Needs Index
4. Campus Executive Order 28 Budgeted Spending

## Documents to be Prepared and Submitted for the Board of Curators Finance Committee Spring Meeting

1. Campus Masterplan
2. Five Year Preliminary Campus Capital Plan for BOC Level Approval
  - a. Project Summary and Backup
    - i. Executive Summary
      1. Project Description
      2. Project Justification
      3. Estimated Project Cost
      4. Estimated Project Funding Strategy
      5. Building Profile
        - a. Facility Name
        - b. Project Type
        - c. Facility Stewardship Index (FSI)
        - d. Facility Age
        - e. Facility GSF
        - f. Facilities Condition Needs Amount
      6. List of Colleges/Programs/Degrees hosted
      7. Number of Students Impacted
      8. Project Schedule
      9. Estimated Operating Expense
      10. Estimated Facilities Condition Needs Addressed in project
      11. Estimated GSF Impacted by project
    - ii. Facilities Stewardship Index with scores and justification
    - iii. ISES Information
      1. ISES Executive Summary
      2. ISES Facility Condition Assessment
      3. ISES Photo Log
      4. ISES Facility Condition Analysis
    - iv. Program Planning Study
    - v. Financial Funding Plan
      1. Financial Plan Requirements for Debt Funded Projects
3. Campus Facilities Condition Needs Index
4. Campus Executive Order 28 Budgeted Spending

## Documents to be Prepared and Submitted for the Board of Curators April Meeting

1. Five Year Campus Capital Project Plan for BOC Level Approval
2. State Capital Appropriations Request
  - a. Project description
  - b. Project justification

## Documents to be Prepared and Submitted for the Board of Curators July Meeting

1. Project Update Report

## Documents to be Prepared and Submitted for President and System CFO Approval in April

1. Five Year Campus Capital Project Plan for System Level Approval