

Procedure 7.3.16 Financial Health Indicators

System Procedures

Chapter 7 - General Finance Provisions

for [Board Policy 7.3](#)

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 system office finance division is responsible for reporting to the Board of Trustees on the financial well-being of the system and each college and university. ~~Budgetary-Financial~~ information for each college, and university ~~and the system office~~ 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 ~~and system office~~ finances, as described below, will be reviewed to determine if financial concerns are present. The system office finance division ~~in the system office~~ will work with the chief financial officer 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~~ C. 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 full-year equivalent (FYE) enrollment has declined more than eight percent over the two most recent years.
 - d. Resolution: A financial plan (FP) shall be drafted to explain the changes in the enrollment over the past two years. The FP shall include the budget and enrollment strategies to address the enrollment ~~shortfall~~ losses.
2. Fall Full Year Equivalent Enrollment Change
 - a. Monitoring Timeline: Annually – Report by end of September
 - b. Data Source: Prior year comparison report?
 - c. Trigger: Actual fall term full-year equivalent (FYE) enrollment change from the prior year if more than one percent lower than the FYE assumption used in approved operating budget. The will exclude concurrent FYE (percentage change from prior year).

- 36 d. Resolution: The current fiscal year budget shall be updated to reflect the
37 enrollment is-change.

38
39 **Subpart B. Cash-Based Financial Risk Factors**

40 1. Year-End Fund Balance

- 41 a. Monitoring Timeline: Annually – Report by end of September
42 b. Data Source: Fiscal year-end general fund adjusted cash balance in SWIFT.
43 c. Trigger: Fiscal year-end general fund cash balance is less than 20 percent of
44 general fund revenue.
45 d. Resolution: A financial plan (FP) shall be drafted that focuses on fund
46 balance restoration. The FP should explain past use of the fund balance and
47 include a timeline and strategy to restore the balance. The FP will be
48 submitted to the finance division in the system office and periodic progress
49 reporting will be required if it is expected that corrective action will take
50 more than one fiscal year.

51
52 2. Decrease in Fund Balance

- 53 a. Monitoring Timeline: Annually – Report by end of September
54 b. Data Source: Fiscal year-end general fund adjusted cash balance in SWIFT.
55 c. Trigger: Year-end general fund balance reductions totaling ten percent or
56 more over the most recent three year period.
57 a.d. Resolution: A financial plan (FP) shall be drafted that focuses on fund
58 balance restoration. The FP should explain past use of the fund balance and
59 include a timeline and strategy to restore the balance. The FP will be
60 submitted to the finance division in the system office and periodic progress
61 reporting will be required if it is expected that corrective action will take
62 more than one fiscal year.

63 **Subpart AC. Accrual-Based Financial Risk Factors**

64 ~~Negative Net Operating Income~~

65 ~~Monitoring Timeline: Annually— Report by end of December~~

66 ~~Data source: The accrual reporting measure for each college and university~~
67 ~~is contained in the Supplement to the Annual Financial Report.~~

68 ~~Trigger: Net operating income where the unrestricted net position increase is~~
69 ~~less than two percent.~~

70 ~~Resolution: A financial plan (FP) shall be drafted that focuses on all funds~~
71 ~~with tactical steps outlined to bring the increase in unrestricted net position~~
72 ~~above two percent or positive operating income. The FP will be submitted to~~
73 ~~the finance division in the system office and a periodic progress report will~~
74 ~~be required if it is expected that corrective action will take more than one~~
75 ~~fiscal year.~~

- 76
77 1. Low Adjusted Composite Financial Index (CFI) score
78 a. Monitoring Timeline: Annually – Report by end of December
79 b. Data source: The adjusted CFI score is computed annually by each college
80 and university as part of a fiscal year-end analysis of financial trends and
81 highlights. It is also computed by the system office finance division in the
82 system office and reported to the Board of Trustees. The computation
83 method will be defined by the system office finance division and labeled
84 adjusted CFI.

- 85 c. Trigger: The adjusted CFI score (~~without GASB entries~~) is less than 1.5
86 (based on a two-year moving average) or an adjusted CFI score under 0.5
87 for the most recent year.
- 88 d. Resolution: A financial plan (FP) shall be drafted that focuses on increasing
89 the CFI score above the trigger levels. The FP will be submitted to the
90 finance division in the system office and a periodic progress report will be
91 required if it is expected that corrective action will take more than one fiscal
92 year.

95 **Subpart B. Cash-Based Financial Risk Factors**

96 ~~1. Year End Fund Balance~~

- 97 ~~a. Monitoring Timeline: Annually—Report by end of September~~
98 ~~b. Data Source: Year end cash balance in SWIFT?~~
99 ~~c. Trigger: Fiscal year end general fund cash balance is less than 20 percent of~~
100 ~~revenue and appropriation.~~
101 ~~Resolution: A financial plan (FP) shall be drafted that focuses on the~~
102 ~~restoration of the fund balance. The FP should explain the past use of the~~
103 ~~fund balance and include strategies and timeline to restore balance above the~~
104 ~~20 percent trigger.~~

106 ~~2. Decrease in Fund Balance~~

- 107 ~~b. Monitoring Timeline: Annually—Report by end of September~~
108 ~~c. Data Source: Year end cash balance in SWIFT?~~
109 ~~d. Trigger: Three consecutive years of year end general fund balance~~
110 ~~reductions totaling ten percent or more.~~
111 ~~e. Resolution: A financial plan (FP) shall be drafted that focuses on fund~~
112 ~~balance restoration. The FP should explain past use of the fund balance and~~
113 ~~include a timeline and strategy to restore the balance. The FP will be~~
114 ~~submitted to the finance division in the system office and periodic progress~~
115 ~~reporting will be required if it is expected that corrective action will take~~
116 ~~more than one fiscal year.~~

120 **Subpart D. Facility-Based Risk Factors**

121 1. Repair and Replacement Expenditures

- 122 a. Monitoring Timeline: Close of fiscal year
123 b. Data source: Data will be extracted from ISRS using the year-to-date fields
124 for Fund 830. Expenditure object codes will be less than 8000 (excluding
125 transfers out).
126 c. Trigger: Expenditures per square foot of less than \$1.00 per square foot
127 based on a three-year moving average.
128 d. Resolution: A repair and replacement plan is required that outlines the
129 conditions and decisions that led to less than the \$1 per square foot
130 investment target. This plan should include strategies and a timeline to
131 achieve or exceed the target.

132 2. Energy Consumption Reduction

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- 134 a. Monitoring Timeline: Annually - End of December
135 b. Data source: Building, Benchmark and Beyond (B3) Report
136 c. Trigger: Reductions in energy consumption on a moving three-year average
137 of less than two percent. ~~Annual energy consumption reduction of less than~~
138 ~~two percent.~~
139 d. Resolution: An energy management plan shall be drafted that focuses on
140 strategies, initiatives and associated timelines to achieve and sustain an three
141 year moving average of six percent reduction of an-annual energy
142 consumption reduction equal to or greater than two percent.
143

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145 **Related Documents:**

- 146 • [Policy 7.3](#) Financial Administration
147 • ~~Procedure 7.3.1 Accounting and Payroll~~
148 • ~~Procedure 7.3.2 Auxiliary Operations~~
149 • ~~Guideline 7.3.2.1 Auxiliary Fund Accrual Financial Statements and Multi-year~~
150 ~~Financial Planning~~
151 • ~~Procedure 7.3.3 Purchasing Cards~~
152 • ~~Procedure 7.3.4 Cost Allocation~~
153 • ~~Guideline 7.3.4.1 Cost Allocation and Implementation~~
154 • ~~Procedure 7.3.5 Revenue Fund Management~~
155 • ~~Procedure 7.3.6 Capital Assets~~
156 • ~~Guideline 7.3.6.1 Capital Leases Involving Tax Exempt Interest~~
157 • ~~Procedure 7.3.7 Impairment of Capital Assets~~
158 • ~~Procedure 7.3.12 Scholarships~~
159 • ~~Procedure 7.3.13 Surplus Personal Property/Building Disposal~~
160 • ~~Procedure 7.3.17 Electronic Payments~~
161 • ~~Guidelines for 7.3.17.1 Guideline for Payment Card Acceptance, Processing and~~
162 ~~Security~~
163 • ~~Instructions for Cash Flow Forecasting~~

164
165 ~~Financial Administration~~

166 **Procedure History:**

167 Date of Adoption: 12/09/03,
168 Date of Implementation: 12/09/03,
169 Date of Last Review xx/xx/xx

170 **Date and Subject of Amendments:**

171 1/25/12 - The Chancellor amends all current system procedures effective February 15,
172 2012, to change the term "Office of the Chancellor" to "system office" or similar term
173 reflecting the grammatical context of the sentence.
174 2/14/11 - In Part 3, Subpart B, references to general fund were removed.
175 2/2/11 - The revision to the financial exception reporting process reduces the number of
176 risk factors and adds a consequence for each risk factor. In addition, Guideline 7.3.16.1

177 has been incorporated into the procedure.
178 1/7/08 - Amended Part 3 to update the financial exception reporting measures to assure
179 the short- and long-term stability indicators properly reflect effective financial
180 administration throughout the system.

181 Click here for additional [HISTORY](#) for 7.3.16

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