

**SPECIAL MEETING OF THE  
FINANCE AND ADMINISTRATION COMMITTEE**  
Board of Regents for Higher Education  
Hartford, Connecticut

Monday, November 12, 2012, at 1:30 p.m.  
Room 123  
39 Woodland Street, Hartford, CT

Agenda

1. **APPROVAL OF MINUTES FROM THE OCTOBER 10, 2012 MEETING**
2. **INFORMATION ITEMS**
  - A. IT Strategy Discussion with members of the BOR Audit Committee – W. Chang
  - B. Q1FY13 Financial Reports (to follow)
3. **ACTION ITEMS**
  - A. Resolution concerning the Use of Unrestricted Fund Balances to Effect Critical Repairs to Higgins Hall and Higgins Annex at Western Connecticut State University

**SPECIAL MEETING OF THE  
FINANCE AND ADMINISTRATION COMMITTEE  
BOARD OF REGENTS FOR HIGHER EDUCATION**  
Room 209  
39 Woodland Street  
Hartford, Connecticut

Wednesday, October 10, 2012, at 10:00 a.m.

**Minutes**

**REGENTS PRESENT**

Gary Holloway, Chair  
Matt Fleury  
René Lerer

**REGENTS ABSENT**

Richard Balducci  
Catherine Smith  
Zac Zeitlin

**STAFF**

Michael Meotti, Executive Vice President; William Bowes, Chief Financial Officer; Wendy Chang, Chief Information Officer; Elaine Clark, Vice President for Facilities & Infrastructure Planning; Keith Epstein, Director, Capital Projects; Ernestine Weaver, Counsel; Beverly Lambert, Director of Budget & Finance; Melentina Pusztay, Assistant for Finance & Accounting; Rosalie Butler, Administrative Assistant for Finance

**CONNSCU REPRESENTATIVES**

Jack Miller, President, CCSU; Richard Bachoo, CAO, CCSU; Charlene Casamento, CFO, CCSU; James Howarth, Interim Vice President for Finance and Administration, ECSU; James Blake, Executive Vice President, SCSU; Paul Reis, VP for Finance and Administration, WCSU

**GUESTS**

Jeff Asher, Executive Director, CHEFA  
Michael Morris, Assistant Director, CHEFA

*With a quorum present, Chairman Holloway called the meeting to order at 10:00 am.*

**1. APPROVAL OF MINUTES FROM THE SEPTEMBER 11, 2012 MEETING**

*The minutes of the September 11, 2012 meeting were unanimously approved, as written.*

**2. MONTHLY FINANCIAL REPORTING – INFORMATION ITEM**

Committee members were provided with financial reports as of September 30, 2012. Discussion continued from the September 11, 2012 Finance & Administration Committee meeting on how to best present monthly revenue/expense reports on an institutional basis. Options, indicators and timing were discussed. It was agreed that in addition to a Mid-Year Spending Plan Review, financial reporting would be provided to the Committee on a quarterly basis.

*No action was taken.*

**3. RESOLUTION CONCERNING AUTHORIZATION TO BORROW FROM THE STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY**

Chairman Holloway gave a brief recap of discussions held with Finance & Administration Committee members at the September 11, 2012 meeting. He then turned to CFO Bowes who provided a detailed overview of the purpose and scope of financing through CHEFA for various additions and improvements to residential and other facilities at the four Connecticut State Universities, as well as their related expenses and revenue for repayment of debt service.

*The Resolution was unanimously approved on a motion by Regent Holloway, seconded by Regent Fleury.*

**4. RESOLUTION CONCERNING AMENDMENT TO BR#03-15, STUDENT SICKNESS INSURANCE WAIVER AUTHORIZATIONS FOR ACTIVE DUTY AND VETERAN STUDENTS**

CFO Bowes provided background on the mandatory sickness insurance program at the Connecticut State Universities and the existing waiver program. He explained an issue had surfaced surrounding the waiver process for active duty and veteran students, as they are unable to provide the necessary documentation required by the existing waiver policy. Amendment to Resolution BR#03-15 clearly sets forth the process by which both active duty and veteran students may obtain a properly executed sickness insurance waiver.

*The Resolution was unanimously approved on a motion by Regent Lerer, seconded by Regent Fleury.*

**4. RESOLUTION CONCERNING IT-001 ACCEPTABLE AND RESPONSIBLE USE OF INFORMATION TECHNOLOGY AND RESOURCES POLICY AND IT-002 ELECTRONIC COMMUNICATION POLICY FOR THE BOARD OF REGENTS FOR HIGHER EDUCATION AND ITS INSTITUTIONS**

CIO Chang reported that a committee, represented by all 17 ConnSCU institutions, had been formed to update existing IT policies. The committee is comprised of students, faculty, academic affairs, finance and human resources staff. She gave a brief overview of the two policies, both of which have undergone extensive review by President Kennedy and in-house counsel.

*The Resolution was unanimously approved on a motion by Regent Fleury, seconded by Regent Lerer.*

*With no other business to discuss, the meeting was adjourned at 11:35 a.m. on a motion by Regent Lerer, seconded by Regent Fleury.*

**ITEM**

Resolution concerning the Use of Unrestricted Fund Balances to Effect Critical Repairs to Higgins Hall and Higgins Annex at Western Connecticut State University

**BACKGROUND**

The former Connecticut State University System Board of Trustees under the provisions of Section 10a-89(a)(1) of the Connecticut General Statutes shall “Make rules for the government of the Connecticut State University system and shall determine the general policies of the university system, including those concerning...the expenditure of the funds of institutions under its jurisdiction within the amounts available.”

The former Board of Trustees established fund balance guidelines, BR#08-39 to ensure the maintenance of reasonable positive fund balances and to ensure the operational continuity of the universities. University use of unrestricted reserves in excess of \$250,000 requires the Board of Regents’ approval. Connecticut General Statute 10a-99(b) stipulates, in relevant part, that “Repairs, alterations or additions to facilities supported by the Connecticut State University System Operating Fund and costing \$1,000,000 or more shall require the approval of the General Assembly, or when the General Assembly is not in session, of the Finance Advisory Committee.”

**ANALYSIS**

Higgins Hall was constructed in 1949 and the Higgins Annex was constructed in 1959. In 2009 a study of the exterior envelope of both facilities was conducted. The study concluded that the visual deterioration and distress across both exterior building wall and roof surfaces required immediate corrective measures.

Based upon the evaluation and available funding, Western divided the repair work into three separate projects. Project I and Project II consisted of roof replacement work, parapet wall reconstruction and restoration and the replacement of coping caps. Projects I and II were completed in FY 2010 and FY 2011. Project III, with work anticipated in FY 2013, involves exterior repair work for both Higgins Hall and Higgins Annex in areas below those addressed during Projects I and II. The work consists of repointing masonry, replacing bricks damaged by water infiltration, repairing window lintels and damaged limestone, and sealing joints around existing windows and expansion joints.

Funds for Projects I, II and III were approved by the Board of Trustees of the Connecticut State University System in 2010. The funds derived from several sources: CSUS 2020 (\$464,720); Pre CSUS 2020 bond funds (\$13,784); campus general fund minor capital project funds (\$55,000); and \$1,035,246 from the campus’ unrestricted reserve fund balance. Use of the unrestricted fund balance was approved by the CSUS Board of Trustees at their February 10, 2010 meeting. The total approved in 2010 was \$1,568,750.

Projects I and II consumed all of the above-described CSUS 2020 funds, pre-2020 bond funds and campus general fund minor capital project funds and \$473,246 of the unrestricted reserve funds, leaving \$562,000 of the original \$1,568,750 available for Project III.

The cost estimate for Project III in 2012 dollars is \$906,000. If the previously authorized \$562,000 were supplemented with an additional \$344,400, the project would be fully funded. This request is for Board of Regents' approval to use \$344,400 in unrestricted campus reserves for Project III.

The total cost of Projects I, II and III (estimated as to Project III) is \$1,913,150. A total project accounting, including use of undesignated reserve funds, is as follows:

CSUS 2020, FY09 Code Compliance Infrastructure Improvements*	
*Higgins Roof & Masonry	\$ 300,000 complete
*Higgins Annex HVAC	\$ 164,720 complete
Pre-CSUS 2020 Bond Funds:	\$ 13,784 complete
WCSU General Fund Minor Cap.	\$ 55,000 complete
Project I & II Undesignated Reserves (2010)	\$ 473,246
Project III Undesignated Reserves (2010)	\$ 562,000 Project III remaining allocation
Project III Undesignated Reserves (2012)	<b>\$ 344,400 this request</b>
Total Project I, II, & III Cost	<b>\$1,913,150</b>

### **PRESIDENT'S RECOMMENDATION**

Approve Western's request to use an additional \$344,400 of unrestricted reserve funds towards Project III exterior building work at Higgins Hall and the Higgins Annex. The total unrestricted reserve funds designated for Project III will be \$906,400.

## Addendum

### FUND BALANCE GUIDELINES

#### **Operating Fund**

The operating fund from a funds accounting perspective is known as the current fund, and accounts for those economic resources which are expendable for carrying out the primary purpose or general operation of the university: instruction, research, and public service. The current fund consists of two subgroups - unrestricted current funds and restricted current funds.

*Current unrestricted funds* are resources received by a university that have no limitations or stipulations placed on their use by external agencies or donors. These funds are often deemed the most desirable resources for an institution, since they offer the widest range of flexibility concerning how monies can be spent. Tuition, fees, and legislative appropriations are typical examples of revenue sources received as unrestricted current funds.

*Current restricted funds* are resources provided to a university that have externally established limitations or stipulations placed on their use. Such restriction can be broad or very specific.

*Designated funds* result from internal designations placed on resources by the governing board or institutional management and constitute an allocation of current unrestricted funds. These designations can change at any time. Any unrestricted resources designated to specific fund groups (plant, loan, or quasi-endowment) are included in such fund groups by a transfer, which can be either mandatory or non-mandatory, depending on the circumstances.

Within the Connecticut State University System, the Board of Trustees, the Chancellor, and the University Presidents are authorized to designate funds for certain purposes such as major expenditures that may require more funds than would be available for the specific purpose in a single year or for a future project. The designated funds will be accounted for within the accounting system.

In general, fund balances must be sufficient to

- a) finance open commitments including multi-year projects not structured on a fiscal year basis, such as implementation of large information systems;
- b) provide funds designated for major expenditures that may require more funds than would be available for the specific purpose in a single year or for a future project;
- c) provide sufficient funds to ensure financial stability in the event of unfavorable economic conditions and/or permit operation of the University/System for a reasonable length of time in case of emergency. NOTE: Except in case of extreme emergency, undesignated current fund balances shall not be used to subsidize ongoing current operations.

#### **Required Unrestricted Funds – University**

Each University shall provide for an unrestricted fund balance without deduction for the reserve for accrued compensated absences as well as the impact of all assets due from the State of Connecticut and all liabilities due to the State of Connecticut, and including required and permitted plant fund transfers (“adjusted unrestricted fund balance”), as follows:

- Five (5) to seven (7) percent of the University’s total budgeted *educational and general expenditures and auxiliary services expenditures* for the current fiscal year; plus
- Current portion of the University’s accrued compensated absences from the prior year financial statements, since this is the amount that is estimated to materialize in the current fiscal year; plus

- Two (2) to five (5) percent of *housing and food service fee revenues* annually for the purpose of meeting the annual refurbishing and equipment replacement/acquisition requirements of these activities, with the proviso that if any of these particular funds remain unspent in the current year, they may be carried over into subsequent years to be used for the same purpose; plus
- Funds designated due to Student or other non-debt-service commitments (must be pre-approved by the Chancellor and the Board of Trustees); plus
- Unrestricted funds set aside for debt service funding/pre-funding on student housing or student parking garages

### **Project Fund**

Should a University's adjusted unrestricted fund balance exceed the above level, the excess shall be transferred to a Systemwide Project Fund, which shall be used to fund University and Systemwide projects on a request basis, based on the merits of the request according to established criteria. The Project Fund shall be overseen by the Council of Presidents and the Chancellor, who shall develop the aforementioned criteria to determine the circumstances and guidelines under which the Project Fund may be used. Proposals to use the Project Fund shall be made to the Council of Presidents, who will determine the acceptability of each proposal and provide their recommendation(s) for use to the Chancellor by way of written justification. The Chancellor shall not be bound to accept the recommendation(s) of the Council of Presidents, but will take them under advisement. Should the Chancellor choose to advance any proposal(s), he shall provide his final recommendation(s) to the Executive Committee of the Board of Trustees for discussion and action within 60 days of the Council of Presidents' recommendation(s).

Should a University's adjusted unrestricted fund balance fall below the required level, the University President may request of the Council of Presidents and the Chancellor that the University's adjusted unrestricted fund balance be replenished through the use of the Project Fund. The request shall be in writing, and shall detail why the University believes that it would be unable to restore its adjusted unrestricted fund balance to the required level within two years, and why the infusion of Project Funds is necessary. The University shall further detail measures that it will put in place to restore its adjusted unrestricted fund balance and replenish the Project Fund within five years following the infusion.

### **Required Unrestricted Funds – System Office**

The System Office shall maintain a System Office unrestricted fund balance without deduction for the reserve for accrued compensated absences as well as the impact of all assets due from the State of Connecticut and all liabilities due to the State of Connecticut ("adjusted unrestricted fund balance"), of an amount not to exceed five (5) percent of the System Office's total budgeted *educational and general expenditures and auxiliary services expenditures* for the current fiscal year; plus the current portion of accrued compensated absences from the prior year financial statements attributable to personnel charged to the System Office, since this is the amount that is estimated to materialize in the current fiscal year.

### **Required Unrestricted Funds – Systemwide**

The System Office shall maintain a Systemwide unrestricted fund balance without deduction for the reserve for accrued compensated absences as well as the impact of all assets due from the State of Connecticut and all liabilities due to the State of Connecticut ("adjusted unrestricted fund balance"), as follows:

- One and one-half (1 1/2) percent of the System's total budgeted *educational and general expenditures* of the current fiscal year; plus
- Current portion of accrued compensated absences from the prior year financial statements attributable to personnel charged to Systemwide Operations, since this is the amount that is estimated to materialize in the current fiscal year; plus



- Three hundred thousand (\$300,000) dollars annually, if needed, to provide for the advancement of Systemwide projects and/or equipment in the area of Information Technology, including Telecommunications; with the proviso that if any of these particular funds remain unspent in the current year, they may be carried over into subsequent years to be used for the same purpose; plus
- Funds designated due to Student or other non-debt-service commitments (must be pre-approved by the Chancellor and the Board of Trustees)

Should the Systemwide adjusted unrestricted fund balance exceed the above level after required transfers to plant fund, the excess shall be transferred to the Project Fund.

Should the System Office or Systemwide unrestricted fund balance fall below the required level, the Chancellor will develop an action plan to restore the adjusted fund balance to the designated level within a reasonable time, including possible infusion from the Project Fund. This action plan shall be presented to and receive the concurrence of the Executive Committee of the Board of Trustees. The Chancellor shall notify the Council of Presidents of any approved infusion of funds from the Project Fund to the System Office or Systemwide fund balance.

### **Plant Fund**

Plant fund purposes consist of the following: plant construction or acquisition; payment of interest and/or principal on plant-related debt; and renewal and replacement of facilities (including maintenance of plant). Funds received from outside providers for capital projects may not be used for other purposes unless approved by the provider.

#### **1. Debt Service**

Fund balances maintained in the plant fund for debt service are transferred to this account from the current fund to meet statutory requirements to pay for University self-supporting construction projects. Interest earned on these funds is unrestricted, but is designated for debt service purposes in order to minimize student fee charges.

#### **2. Transfers to Plant Fund**

Annually, each University shall provide to the Board of Trustees a report listing the designated purpose(s) and amount(s) of all unrestricted current operating funds transferred or intended to be transferred into the plant fund in that year. This report is to be provided to the Finance and Administration Committee as part of each University's spending plan submission. Any transfers or intended transfers from the unrestricted current fund to the plant fund made by the Universities, other than the required amount for annual refurbishing and equipment replacement/acquisition for housing and food service, must be approved by the Chancellor and the Board of Trustees in advance.

### **Other Funds**

Unrestricted, self-supporting funds, such as those resulting from entrepreneurial activities or university self-supporting units, may also have unrestricted fund balances. Fund balances for these types of activities will vary depending upon the scope of the activity and will remain with the activity or unit during its lifetime. Should an activity find its fiscal viability threatened, the University President will make a determination as to the continued existence of the activity.

Unrestricted revenues of other funds such as the endowment fund group, loan fund group, annuity/life income fund group and the research fund, if realized, may be designated for certain purposes by the appropriate authority(s) enumerated above.

### **Use of Fund Balances**

Any use of current fund or plant fund balances must be approved by the Chancellor and, if the amount to be used is \$250,000 or greater, by the Board of Trustees. Ordinarily this approval will take place at a regularly scheduled meeting of the Board of Trustees; however, in urgent cases, the Chancellor may approve the use of fund balances of \$250,000 or greater. In these instances, the action will be brought to the next scheduled meeting of the Executive Committee for ratification, followed by ratification by the Board of Trustees at their next scheduled meeting.

RESOLUTION

concerning

THE USE OF  
UNRESTRICTED FUND BALANCES  
TO EFFECT CRITICAL REPAIRS TO  
HIGGINS HALL AND HIGGINS ANNEX  
AT WESTERN CONNECTICUT STATE UNIVERSITY

November 15, 2012

- WHEREAS, Corrective restoration measures have been required to the Higgins Hall and Higgins Annex exterior building surfaces to stabilize and restore the building exteriors, and
- WHEREAS, These corrective restoration measures are being completed as three separate projects that will deter future building deterioration and allow the facility to operate in a safe manner, and
- WHEREAS, The former Board of Trustees approval allowing Western to use an aggregate of \$1,035,246 in unrestricted funds as supplemental funds to complete three exterior building restoration projects at Higgins Hall and the Higgins Annex occurred, and
- WHEREAS, Project I and Project II are complete, and
- WHEREAS, Available unrestricted funds of \$562,000 are not sufficient to fully cover the estimated cost of Project III repairs, therefore be it
- RESOLVED, That Western Connecticut State University is authorized to utilize up to an additional \$344,440 in unrestricted funds (\$906,400 total Project III unrestricted funds) to effect critical exterior building restoration work at Higgins Hall and the Higgins Annex.

A Certified True Copy:

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Philip E. Austin  
President