

REVENUE BOND - AUXILIARY OPERATIONS, NEBRASKA STATE COLLEGE SYSTEM

POLICY: 9006

Revenue Bonds; Use of Surplus Funds

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BOARD POLICY

The Surplus Funds on each campus are those funds remaining each year after costs of operations and maintenance have been paid and after the required minimum dollar amounts have been deposited into the various other bond funds at the end of the fiscal year. The Surplus Fund shall be drawn upon first to make up any deficiencies in the Bond Fund and/or the Bond and Interest Reserve Funds. The Surplus Fund may then be used, upon approval of the Board, to complete the Costs of Construction or Acquisition of any Improvement in the event the funds on deposit in the Construction Fund are not adequate; to pay the Costs of Construction or Acquisition of additional buildings and facilities appropriate to be purchased with revenue bond funds; and to make any extraordinary repairs, renewals, replacements, renovations, equippings, and furnishings to the revenue bond facilities of which all or part of the revenue, fees and earnings are derived from the operations and which are pledged under the revenue bond resolution to payment on the debt of the facilities. These extraordinary items are those which are not customarily included as costs of operation and maintenance and which are deemed necessary or desirable by the Board in order to maintain such revenues, fees and earnings or to maintain the facilities as a revenue-producing enterprise. It is the Board of Trustees' intent that the minimum balance to be maintained in the Surplus Funds at each of the State Colleges shall be 7.5% of the outstanding debt; however, in no circumstance shall any of the colleges' Surplus Funds be drawn down below two hundred thousand dollars (\$200,000).

Before an expenditure exceeding five hundred thousand dollars (\$500,000) for any one item can be initiated, and subsequent to Board approval, the Chancellor will submit such project to the Legislature for approval as required by law.

PROCEDURE

An annual Contingency Maintenance Request for extraordinary repair items shall be submitted to the System Office in the format and according to the schedule developed by the System Office. The request material shall be reviewed by the Board's revenue bond financial management consultant and Vice Chancellor for Finance & Administration, and a recommendation submitted by them to the Board. The projects being requested are authorized to be initiated at the beginning of the subsequent fiscal year and expenditures for them are to be transacted after July 1 of that new fiscal year. An exception to this procedure is granted for those projects that must be completed during the subsequent summer months. The Colleges are authorized to begin planning and design activities and to place purchase orders for such Contingency Maintenance projects as soon as the Board has approved the requests. However, no payments shall be made on those projects until after July 1 of the request year. Approved projects will be initiated and completed within three (3) years of the resolution's applicable fiscal year period. Projects that have not been initiated within that time period shall be closed out and Surplus Fund balances earmarked for those specific projects shall be reclassified as uncommitted Surplus Funds. Designated funds may continue to be earmarked for those projects that have been initiated within the three-year period but, due to extraordinary circumstances, have not been completed and payment made to the vendor.

Periodically it may be necessary to expend Surplus Funds on an emergency-type project. The System Office should be notified and the College may proceed with the project, after approval is given by the Chancellor and the Fiscal, Facilities and Audit Subcommittee Chair. Such approvals shall be reported to the Board at the subsequent meeting.

If any contingency maintenance item approved by the Board exceeds its estimated cost, the College may reallocate up to one thousand dollars (\$1,000) in fund balances from other completed projects and report same to the System Office.

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If any fund balances remain from completed Contingency Maintenance projects, the College may expend up to fifty thousand dollars (\$50,000) of those funds for additional, related projects, once approved by the Vice Chancellor for Finance & Administration, or the Vice Chancellor for Facilities & Information Technology. Such reallocation shall be reported to the Board in the subsequent Contingency Maintenance Progress Report. Reallocations exceeding fifty thousand dollars (\$50,000) shall be submitted to the Board for approval prior to initiating the projects using those funds.

Legal Reference: RRS 85-408

Dormitories; housing facilities; rates, fees, charges; pledge for payment of bonds; surplus; expend; approval of Legislature

Policy Adopted: 3/11/94
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