

UNIVERSITY OF MINNESOTA

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DATE: August 11, 2010

TO: Vice Presidents, Deans, and RRC Managers
(Please share this memo with departmental personnel, where appropriate)

FROM: Carole Fleck, Office of Budget and Finance

SUBJ: Temporary Investment Pool (TIP) Charges on FY10 Deficits

The Budget Office continues to be concerned about existing deficits and that funds are not being transferred from the Foundations timely. We acknowledge that the lack of reports out of EFS at the time of conversion and in subsequent months made it difficult for the departments and colleges to monitor their available balances and/or deficits. For this reason:

No TIP charges will be assessed on deficits that existed as of 6/30/09, 10/31/09 or 2/28/10

Analysis of June 30, 2010 Deficits

The Budget Office reviews current fund deficits as of period 913 using the **Available Balance** at the **Fund** and **“Z” DeptID** level on the Budget DeptID tree. The available balance calculation excludes accrual-based accounting entries except for Vouchers Payable; thus the balance approximates a cash balance for the “Z” DeptID.

The Available Balance Deficit Report provides a list of deficits, prior to encumbrances, at the University Z-DeptIDs, as of the date you specify when you run it. The report can be obtained in the Financial Reporting instance and accessed as follows:

- Financial Reporting Log-On
- UM Budgeting
- UM RRC Manager
 - UM Reports
 - UM Available Balance Deficit Report

To see your deficits as of period 913 for FY10, establish a run control ID (the first time), or “find an existing value” if you have run the report before. Once the run control is selected, enter fiscal year (2010), accounting period (913), the RRC, and specify a single Z-DeptID - or leave blank to get all of the Z-DeptIDs within that RRC. If you check “Suppress Budget Office Exclusions”, the report will not include certain exclusions from TIP currently specified by the Budget Office. Click SAVE, and then RUN. [Note – currently the report will return deficits less than (\$15,000), plant fund deficits, agency fund deficits, and fund 1151 (Specialized Srv Int Rev) deficits – all of which are excluded for TIP purposes, but have not yet been specified for exclusion in the run control as of the date of this memo.]

Budget Office Expectations

No deficits should exist at the fund/Z-DeptID as of 6/30/10, period 913.

TIP charges are based on a “Z” level threshold balance of (\$15,000). If a deficit of (\$15,000) or greater exists at this level as of 6/30/10, period 913, take the following steps:

- **Determine if the deficit is considered an approved exception to the TIP process. (see page 3 of this memo) If so, the deficit will not be assessed a TIP charge.** Continue to reduce/eliminate the deficit based on existing procedures and/or per the approved deficit elimination plan.
- **Eliminate the deficit prior to September 30, 2010.** If you zero out the deficit prior to the close of the third accounting period with specific appropriate action, no TIP charge will be assessed. **NOTE – the posting of the FY11 O&M, State Special, and ICR allocations by the Budget Office that eliminates the deficit in the applicable fund is not considered “specific appropriate action on your part”.**
- **Provide justification in writing as to why the deficit cannot be cleared. This applies to new deficits and those that have been excluded in prior years. (See page 4 of this memo).** The justification should provide enough explanation for us to understand whether this is a one-time problem or a continuing issue, if this is related to how you’ve structured your chart of accounts, and/or if this is an operational issue. **This justification is due to your Budget Officer by September 7, 2010.**

The Budget Office will run the Available Balance Deficit Report as of the end of accounting period 3, FY11 (September 30, 2010) and compare to the Available Balance Deficit Report as of 6/30/10, period 913.

No TIP charge will be assessed on a June 30, 2010 deficit if it has been eliminated by 9/30/10, or if the deficit has been properly justified and that justification has been approved by the Budget Office.

Any 6/30/10 deficits not meeting the above requirements will be assessed a TIP charge of 8.0% which will be posted in FY11. The Budget Office will contact you to obtain a valid target account string where the charge will be posted.

FY11 Deficits at the fund/Z-DeptIDs

Decisions about the TIP Assessment Process for FY11 deficits will be announced at a later date. We encourage you to closely monitor your balances, and to avoid deficits wherever possible. Foundation transfers should be made as often as needed to keep a positive balance in your chartstrings. Work with your budget officer as necessary to alert them of potential problems before your deficits get out of control.

Questions regarding this memo can be addressed to me at c-flec@umn.edu or to your budget officer within the University Budget and Finance Office.

**Approved Exclusions from TIP Charges
Deficits Do NOT have to Zeroed out as of 9/30/10 nor Justification Provided**

Chartfields automatically excluded from receiving TIP charges include:

- Z-DeptIDs with deficits < (\$15,000)
- ARRA Stimulus funds – funds 1613 and 1614
- Agency funds – funds 9xxx
- Plant funds – funds 7xxx
- ISO funds – funds 1150, 1151, and 1153
- IMG Tuition Revenue Target – Program UM001
- IMG University Fee Revenue Target – Program UM002
- IMG F&A Revenue Target – Program UM003
- LCMR funds - sponsored fund 3015
- Federal Appropriations – funds 19xx
- Current fund balances invested in the Group Investment Pool (GIP) – program code equals Endowment ID Exxx
- All SUFIN, SYSWD and UDEBT chartstrings

“Central” Activity that is in an RRC other than “Central Administration”

- **PSEO** – 1000-Z0164
- **Federal & State Financial Aid** (SEOG, Pell, Workstudy, etc.) – DeptIDs 10644, 10685, 12012, and 12027
- **Student Accounts Receivable** – DeptIDs 11035 and 12074
- **FM Insurance claims** – 1026-10295-20398

Accumulated deficits that currently have central administration’s approval of a formal debt repayment plan:

- Enterprise System Projects – 1000-Z0376
- Morris – 1000-10529
- Bolstad Golf Course – 1100-10229
- Real Estate land purchases – 1026-10044
- OGC Outside Legal – 1000-Z0029
- UMore LLC – 1026-11021-20952
- College of Education and Human Development – 1000-11182

Prior Year Exclusions

**Please provide Justification to your Budget Officer by Tuesday, September 7, 2010
if you believe these Exclusions should be continued:**

- Agreements with affiliated health care providers for clinical and other education experiences for health professionals.
- Private practice funds – funds 1030
- Historical funding arrangement with Minnesota counties for delayed billing of shared personnel costs – 1730-Z0031
- Intercollegiate Athletics – Timing of Big 10 Revenue Distributions
- University Services – U-card Office
- GRADx Admissions Office
- EQDIV – funding from the fringe benefit pool – 1026-Z0383
- PRES D – 1701-Z0373
- DENTx – Clinical Administration
- AHCSH – CUHCC Clinic Receivables
- AHCSH & DENTx – MERC Receivable from the State of MN

- **Plus others excluded in the past and not specifically listed here or on the lists on the previous pages**

Examples of Deficit Justifications that will be Denied:

- Using programs or CF2 values as revolving or clearing accounts in which deficit balances are created in one Z-DeptId until the charges can be moved to the appropriate Z-DeptId(s).
- Self-supporting activity where balances vary throughout the year due to seasonal fluctuations in the business cycle.
- DeptIDs that reflect only expenditures (and thus have deficits) because the supporting revenue is deposited in another DeptID that is in a different Z-DeptID.
- DeptIDs in which expenditures are incurred, but the source and amount of funding is uncertain for the expenditures, or resources are moved to the DeptID to cover the deficits after the fact.
- Foundation funds. Funds at the University of Minnesota Foundation, the Minnesota Medical Foundation, the Minnesota Landscape Arboretum Foundation, or the 4-H Foundation are funds held in separate legally defined entities. Central administration at the University does not earn interest on funds held at these Foundations. You are expected to transfer the funds from the Foundations to your University chartstrings in order to avoid TIP charges on Z-DeptId deficits.