



Developing a State of Minds

Connecticut State University System

BR#2000-1



RESOLUTION

concerning

USE OF RESERVES OF
CENTRAL CONNECTICUT STATE UNIVERSITY
AND
SOUTHERN CONNECTICUT STATE UNIVERSITY
FOR THE PURPOSES OF
BANNER IMPLEMENTATION

February 4, 2000

WHEREAS, The Connecticut State University System (CSU) decided in Fiscal Year 1996 to upgrade its administrative software, due to the fact that its existing systems ran on outdated hardware, did not take advantage of new technology, required continued labor-intensive modifications to meet basic needs, and were in certain cases not Year 2000 compliant, and

WHEREAS, The SCT Banner 2000 software product was chosen by an evaluation team as being the best fit for the CSU, since other software products on the market at the time were either in transition to newer technology or were not completely developed, and

WHEREAS, Implementation of Banner 2000 began in FY1997-98, and

WHEREAS, Funding for the implementation has been obtained both from the State Department of Information Technology as well as from CSU bond and operating funds, and

WHEREAS, Additional funding is needed to complete the implementation by FY2001-02, as it is currently scheduled, therefore be it

RESOLVED, That the remaining implementation costs for the Banner 2000 system will be provided from the unrestricted reserves of Central Connecticut State University (CCSU) and Southern Connecticut State University (SCSU), and be it further

RESOLVED, That repayment of these reserves will take place as specified in the attached Agreement for Repayment of Reserves Borrowed for Purposes of Banner Implementation (the "Agreement"), and be it further

RESOLVED, That until such time as any reserve balances of CCSU and SCSU borrowed for the purposes of Banner implementation are repaid as specified in the attached Agreement, CCSU and SCSU are exempt from the undesignated current fund balance requirement of Board Resolution #97-59, Fund Balance Guidelines.

A Certified True Copy:

William J. Cibes, Jr., Chancellor

ATTACHMENT TO BR#2000-1

AGREEMENT FOR REPAYMENT OF RESERVES BORROWED FOR PURPOSES OF BANNER IMPLEMENTATION

- Once per quarter, CCSU and SCSU will each be billed for 22.7% of Systemwide Banner expenses incurred (which is defined as all Banner implementation expenses except campus Banner implementation expenses). CCSU and SCSU will also fund their own campus Banner implementation costs. The remainder of Banner expenses, including campus Banner expenses for ECSU and WCSU, will be borrowed equally from CCSU and SCSU's reserves. All borrowing will be administered by the System Office.
- Funds will only be borrowed as needed. Each request for Banner funds will be from the CSU Chancellor to the Presidents of CCSU and SCSU, and shall be accompanied by full documentation to support the request. The Systemwide Banner Project Manager will review and approve all Banner expenditures, including campus Banner expenditures. Requests for funds will be made at the beginning of each fiscal year, to avoid many small transfers and thus reduce the administrative burden to the campuses. Supplemental requests during the fiscal year will be kept to a minimum. Requested funds will be transferred from CCSU and SCSU's unrestricted reserves into the Systemwide unrestricted reserves as designated funds, and held there temporarily until expended. The transaction to accomplish the transfer of funds will be provided to all universities by the System Office.
- All borrowings shall be repaid with interest, calculated and compounded as is done in STIF. The interest shall be at the STIF rate, and shall be calculated daily and compounded monthly based on the daily STIF rate appearing in the State Treasurer's web site.
- Funds shall be repaid on a quarterly basis, beginning in the quarter following the lending of funds. The repayment shall take place as part of the quarterly tuition transfer. Funds shall be repaid by all four universities equally out of the Trustees' Goal Achievement Set-Aside Funds, at a rate of \$62,500 per quarter. The System Office's share of the repayment shall be \$25,000 per quarter. The repayment shall encompass principal and interest. CCSU and SCSU will also receive a credit of \$62,500 per quarter as repayment for the Banner expenses that they have already paid from their own reserves (see first bullet above). The proper accounting entries will be provided to the campuses from the System Office.
- All borrowings will take place from undesignated reserves.
- Any interest earned on the borrowings held temporarily in the Systemwide unrestricted reserves as designated funds until expended will be used to reduce the principal of the borrowings. No interest earned on the borrowings will be retained by the System Office.
- Statements showing the amount of reserves lent, the amount of interest earned, the amount of repayment made by each university and the System Office, and the balance to be repaid, shall be produced by the System Office and sent to each university quarterly.

ITEM

Use of reserves of Central Connecticut State University (CCSU) and Southern Connecticut State University (SCSU) for the purposes of Banner implementation

BACKGROUND

It was decided in FY1996 that the Connecticut State University System (CSU) would upgrade its administrative software. Among the reasons for upgrading the software were the following:

- The existing Legacy system was self-created and self-modified. It ran on outdated hardware and did not take advantage of new technology. Continued modification to meet CSU's basic needs was required, which was very labor-intensive. It was more cost-effective to purchase new software.
- Much of the Legacy system was not Y2K compliant.
- The Coopers & Lybrand assessment of administrative costs conducted in 1997 concluded that CSU needed to update its administrative software in order to perform administrative tasks more effectively.

ANALYSIS

An evaluation team made up of individuals from all four universities and the System Office selected SCT Banner 2000 as the software product which was the best fit for the CSU System. Banner was an established product in the market, and had been implemented by many higher education institutions across the country. In contrast, the other software products on the market at the time were either in transition to newer technology, or were not completely developed and had no track record for successful implementation. Implementation of Banner 2000 began across the System in FY1997.

Funding for the implementation has come primarily from CSU operating and bond funds, supplemented with \$6 million in funding support from the State Department of Information Technology. However, because of the scope of the implementation effort (five separate modules being implemented as five separate systems), it is estimated that another \$6 to \$7 million will be needed to fully implement Banner 2000 by FY2002.

In Board Resolution #99-32, the Board of Trustees approved in principle that "...individual university reserves may by Board action be diverted to Systemwide reserves if necessary to cover any unexpected needs." After investigating other possible funding sources to cover the remaining Banner costs, it was concluded that none existed, save university reserves. Accordingly, the Presidents of CCSU and SCSU volunteered to provide the remaining implementation cost for the Banner 2000 system from their unrestricted reserves. Repayment of these reserves would take place as per an Agreement for Repayment of Reserves Borrowed for Purposes of Banner Implementation (the "Agreement"), which was developed in consultation with the university Presidents and Vice Presidents of Finance and

Administration. Also, it is proposed that until such time as any reserve balances of CCSU and SCSU borrowed for the purposes of Banner implementation are repaid as per the Agreement, CCSU and SCSU would be exempt from the undesignated current fund balance requirements of the Fund Balance Guidelines.

RECOMMENDATION

Approval of the use of reserves of Central Connecticut State University (CCSU) and Southern Connecticut State University (SCSU) for the purposes of Banner implementation, and repayment of these reserves in accordance with the Agreement.

file w/ memo

RECEIVED
DEC - 6
UNIVERSITY

December 2, 1999

MEMORANDUM

TO: Chancellor William J. Cibes, Jr.

SUBJECT: Authorization of funds from unrestricted reserves of Central Connecticut State University and Southern Connecticut State University for purposes of Banner implementation

FROM: Richard L. Judd, President, Central Connecticut State University
Michael J. Adanti, President Southern Connecticut State University

Following discussion at the CSU System Office on November 29, 1999, we have conferred about the principles we consider pertinent to this transfer of the above noted funds.

Principle 1

Both universities recognize the importance and the significance of completing the Banner implementation as a strategic imperative for all universities of the System to have a relational data base for total management purposes and consider, therefore, the loaning of unrestricted reserves to be consonant with that goal.

Principle 2

Full disclosure of Banner operating budgets that would relate to the original spending plan, cost overruns, current and future funding sources, and explanations thereof should be provided to the Presidents. This is an important factor to provide the Presidents with valid financial information so that questions on the campuses can be answered when or if they arise.

Principle 3

The authorization to loan funds from unrestricted reserves and its repayment schedule must be accomplished via BOT resolution. The rationale for this is that both CCSU and SCSU, once the loans are effected, will fall below Trustee Fund Balance Guidelines policy (BR#97-59). This is also important for auditing purposes and compliance with GAAP standards. It will also provide campus constituencies with a valid reason for doing so, i.e., Trustee mandate to meet a strategic goal of the System's universities.

Principle 4

The loan must be repaid with interest, at a rate at least equal to the STIF rate. Funds lost from our reserves reduce the interest earned on such funds, part of which is revenue projected for use in our Operating Funds. The period of the loan should not exceed 5 years. A longer period repayment makes the loss of the funds has a greater fiscal impact unless, in part, we are compensated for the loss of the future value of the money, i.e. \$3 million today worth more than \$3 million 10 years from now.

Principle 5

A repayment schedule must be determined by the System Office and the CFO's of CCSU and SCSU. All universities of the system should share equally in the repayment, and the System Office should bear some portion of the repayment. The methodology should limit the effect of CCSU and SCSU being "taxed" to repay itself.

Principle 6

The distribution of loaned funds must only occur as the need for those funds arise, i.e., the total amount of the loan should be scheduled for payment on a pro-forma basis based on a defined spending plan.