

UNIVERSITY OF MINNESOTA

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and Chief Financial Officer
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DATE: July 13, 2009

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

FROM: Sue Niehoff, Office of Budget and Finance

SUBJ: (1) June 30, 2009 Temporary Investment Pool (TIP) Charges
(2) FY10 Temporary Investment Pool (TIP) Process

FY09 – June 30 TIP Assessment and FY09 TIP Earnings

FY09 Assessment of TIP Charges for June 30, 2009 Deficits

TIP charges will be assessed on current fund deficits as of period 9/13 using the **Available Balance** at the **Fund** and **“Z” DeptID** level on the Budget DeptID tree.

The Budget Dept ID tree can be viewed in the PeopleSoft Reporting Instance at:

Tree manager > Tree View > UM_DeptID_Budget, dated 7/1/08
View the tree in the print option.

The available balance calculation excludes accrual-based accounting entries except for Vouchers Payable; thus the balance approximates a cash balance for the “Z” DeptID.

A report has been developed that provides a list of deficits, prior to encumbrances, at the University DeptID “Z” levels. This report can currently be viewed at <http://www.finsys.umn.edu>.

The TIP charges on June 30 deficits will be posted in FY10. Please recognize that this is a manual process, (there is no PeopleSoft “TIP job” that will automatically calculate and post these entries).

For the June 30, TIP run, we will honor the FY08 approved exceptions. If you believe you have other deficits that should be excluded from the TIP calculation process, or adjusted in some manner, please send an email, with the exception request form that is part of this memo, to sniehoff@umn.edu and explain the justification for an exception. Exception requests for the June 30 TIP run are due to the budget office by August 20, 2009.

For valid deficits that remain, a TIP charge will be incurred. The budget office will contact you via phone to obtain a valid target account string where the charge will be posted.

FY09 TIP Earnings on Equipment and Building Replacement Reserves

TIP earnings on the October 2008, and February 2009 balances in applicable Equipment and Replacement Reserve chartstrings will be made in period 9/13 of FY09.

FY 10 – TIP Process

FY10 TIP Earnings Allocations

Earnings Allocation on Current Unrestricted Fund Balances – Due to continued low earnings rates on investments, there will be no earnings distributions on positive balances in current funds for FY10.

Earnings Allocation Exceptions - In FY10, the distribution of TIP earnings will continue on the following positive balances:

- Sponsored chartstrings that are required to participate due to a legal requirement of the grant/contract
- Equipment and building replacement reserves in plant funds 7200, 7300, 7401, and 7700
- Applicable loan fund balances

FY10 Assessment of TIP Charges

TIP Charges will continue to be assessed on deficit balances. Charges will be calculated on current fund deficits using the Available Balance at the Fund and “Z” DeptID level on the Budget DeptID tree. The tree can be viewed in the PeopleSoft Reporting Instance at:

Tree Manager > Tree View > UM_DeptID_Budget, dated 7/1/08
View the tree in the print option.

The available balance calculation excludes accrual-based accounting entries except for Vouchers Payable; thus the balance approximates a cash balance for the “Z” DeptID.

A report has been developed that provides a list of deficits, prior to encumbrances, at the University DeptID “Z” levels. This report can be viewed at <http://www.finsys.umn.edu>.

FY10 TIP Process

The attached information addresses the annual procedures for the FY10 TIP earnings allocations (*for those accounts specified above with a positive balance*) and the assessment of charges on deficit balances.

- Distributions and charges are based on balances as of October 31, 2009, February 28, 2010, and June 30, 2010 (end of period 9/13).
- TIP earnings and charges are based on a “Z” level threshold balance of +/- \$15,000.
- The deficit assessment rate is set at an annual rate of 3.5% for the October 31 and February 28 distributions (this represents a 2% decrease from the past several years), and 8.0% for the June 30 distribution.
- Chartstrings in sponsored funds generally do not participate in the TIP allocation process; however, there are exceptions. Exceptions can occur due to timing on the receipt of the funding or due to a legal requirement written into some grants and contracts. Sponsored Projects Administration (SPA) is responsible for submitting these exceptions to the Budget Office. Active chartstrings that have been

previously approved to receive earnings allocations will continue to receive them in FY10. The distribution on these chartstrings will be calculated manually and posted via a journal entry.

- Plant funds that participate in the allocation process include the Building and the Equipment Replacement Reserve funds (funds 7200, 7300, 7401, 7700). Balances in these funds will continue to receive earnings allocations in FY10, using an annual rate of 2%. The distribution on these specific chartstrings will be calculated manually and posted in PeopleSoft via a journal entry.
- Current funds established for Uncollectible Costs from Sponsored Accounts (funds 1295, 1296, 1297, 1298) do participate in the TIP process. These accounts will be assessed charges on their deficits.
- **Chartfields automatically excluded from receiving TIP charges include:**
 - Agency funds (Fund 9xxx)
 - ISO funds (Fund 1150 and 1153)
 - IMG Tuition Revenue Target (Program UM001)
 - IMG F&A Revenue Target (Program UM003)
 - LCMR funds now in sponsored fund 3015
 - Federally appropriated funds (Funds 19xx)
 - Current fund balances invested in the Group Investment Pool (GIP) (program code equals Endowment ID Exxx).
- **TIP Charge Exceptions**
Exceptions are defined as those chartstrings that are excluded from the assessment of TIP charges or afforded some other special treatment.

Prior year exceptions will NOT automatically continue for FY10; therefore, you will need to submit an exception request for those chartstrings where you feel an exception is warranted.

Exception requests can be initiated by anyone, but they must have the appropriate RRC manager and Dean/VP approval before they will be considered. For FY10 exception requests, you must submit the request via the attached Exception Request form. The form must include the valid chartstrings, provide a description of the nature of the account activity, and provide justification for an exception.

The policy and procedure, “Allocating Temporary Investment Pool Income” and “Determining TIP Allocation” provide information on the TIP process. We are currently in the process of updating these policies and procedures to reflect the TIP process in PeopleSoft. The policies and procedures can be found in the UWide Policy Library at <http://policy.umn.edu/categories/finance.html>.

Each of the following pages addresses specific issues and actions you may need to take to prepare for the FY10 TIP process. If you have questions about the TIP allocation process, please call 625-9712, or e-mail sniehoff@umn.edu.

cc: Richard Pfutzenreuter, Vice President and CFO
Frank Cerra, Senior Vice President for Academic Health Center
Robert Jones, Senior Vice President of System Administration
Tom Sullivan, Senior Vice President and Provost

A. FY10 TIP TARGET ACCOUNT DESIGNATION

The target chartstring is the accounting string that will receive TIP interest earnings/charges for a particular "Z" level. Be sure to include all specific chartfields.

NOTE: Complete this form for every "Z" Level on the Budget Tree that belongs to your RRC.

To designate your target account strings, please complete this form and send it to:

Sue Niehoff, University Budget & Finance, 336 Morrill Hall

Due date: Friday, October 23, 2009

RRC managers can change the Target Account selection at any time during the FY.

<u>TIP TARGET CHARTSTRING DESIGNATION</u>			
Effective FY _____		Date _____	
RRC Name/Abbreviation _____			
<u>"Z" Value</u>	<u>Target Chartstring</u>	<u>"Z" Value</u>	<u>Target Chartstring</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
We understand that this election will be effective beginning in the fiscal year noted above. The first assessment for the fiscal year will occur in November, based on October 31 balances			
SIGNATURES:			
RRC Manager: _____		Phone _____	
Dean: _____			
Date: _____			
Completed forms should be sent to Sue Niehoff, University Budget & Finance, 336 Morrill Hall by Friday, October 23, 2009			

B. TIP EXCEPTION PROCESS

TIP exception requests should be sent to:

Sue Niehoff, Office of Budget & Finance, 336 Morrill Hall

Exceptions are defined as those chartstrings that are excluded from the TIP calculations or afforded some special treatment. RRC managers can initiate exception requests, but the Dean/VP must approve them before review by University Budget & Finance. To prepare for the FY10 TIP allocations, you'll need to consider whether you have accounts that might qualify for an exception.

Certain chartfields are **automatically excluded** from the TIP process. These include the unique programs that have been established for recognizing tuition and ICR, all accounts in the LCMR funds and federally appropriated funds. ISO and Agency funds are also excluded. Please note that internal service organizations (ISOs) operating within an ISO fund are excluded from the TIP process. If an activity is operating as an ISO, but not within ISO funds, the accounts will be subject to TIP under the categories assigned to those funds.

RRC managers should NOT prepare an exception request for these identified exclusions.

As mentioned previously, Building and Equipment Replacement Reserve funds will continue to participate in TIP income distributions. These balances should be in plant funds 7200, 7300, 7401, and 7700.

Prior year charge exceptions will NOT automatically continue for FY10; new requests or requests for continuations are required at this time. You must submit an exception request in writing (see the request form below), provide the valid chartstrings, explain the nature of the account activity, and provide a justification for special treatment. An explanation that only states "this activity has been excluded in the past" is not adequate justification.

Except for the chartfields listed in the paragraph above, we have not defined specific types of activity that should be excluded from the TIP process. Each RRC manager may identify specific chartstrings to be considered for exclusion from TIP charges. Examples of exception requests approved and denied in previous years follow.

Examples of Prior Year Exception Requests Approved:

- Prior years' accumulated deficits that currently have central administration's approval of a formal debt repayment plan.
- Agreements with affiliated health care providers for clinical and other education experiences for health professionals.
- Historical funding arrangement with Minnesota counties for delayed billing of shared personnel costs.

Examples of Prior Year Exception Requests Denied:

- Using programs or CF2 values as revolving or clearing accounts in which deficit balances are created until the charge can be moved to the appropriate accounts.
- Self-supporting activity where balances vary throughout the year due to seasonal fluctuations in the business cycle.
- Programs that reflect only expenditures (and thus have deficits) because the supporting revenue is deposited in another program.
- Programs in which expenditures are incurred, but the source and amount of funding is uncertain for the expenditures, or resources are moved to the program to cover the deficits after the fact.
- Foundation funds. Funds at the University of Minnesota Foundation, the Minnesota Medical Foundation or the Minnesota Landscape Arboretum Foundation are funds held in separate legally defined entities and 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 University "Z" DeptId value deficits.

Submit exception requests on the form provided below either via campus mail or via e-mail. All chartfield combinations should be listed even if there is a series of chartfields that all fall under the same rationale.

FY10 TIP EXCEPTION REQUEST

RRC: _____ DATE: _____

We are requesting exceptions to the TIP process for the following chartstrings:

Fund-DeptID-Program _____

Purpose of Program _____

Rationale for Exception* _____

Fund-DeptID-Program _____

Purpose of Program _____

Rationale for Exception* _____

Fund-DeptID-Program _____

Purpose of Program _____

Rationale for Exception* _____

NOTE: PLEASE PROVIDE SUPPORTING DOCUMENTATION WHERE APPROPRIATE

**Completed forms should be sent to Sue Niehoff, University Budget & Finance, 336 Morrill Hall by
Friday, October 23, 2009**