Operating Instruction 7.3.2.1 Auxiliary Mult-year Financial Planning

Part 1. Purpose
To assist colleges and universities in developing their own procedures related to auxiliary fund multi-year financial plans.

Part 2. Multi-Year Financial Plan
Multi-year financial plans provide a framework for effective decision making and efficient allocation of financial resources.

Typical components of such a plan include:

Subpart A. Mission, goals or objectives
Possible goals and objectives include achieving a certain level of growth per year, or planning for future investments. However, for some auxiliary funds that are not able to make a profit, the goal might be attaining self-sufficiency before making plans for future investment of excess revenues. Fund balance reserve requirements in board policies or system procedures may limit the amount of funds that can be used for future investments.

Subpart B. Time span
Determine a realistic time span for implementing a plan. While the first year can be planned with some degree of certainty based on current performance, planning beyond years four or five might be more challenging due to making assumptions further into the future.

Subpart C. Forecasting future performance
Both future revenues and expenses need to be forecasted in order to make meaningful decisions related to maintaining adequate reserve, and use of excess funds for activities that benefit students. Typical expenses that will need to be forecasted include salaries, benefits, and cost of inventory purchased for resale. Typical revenues include sales and any services provided for which fees are charged. Current and prior year financial statements should be used as a starting point and adjusted for future years based on reasonable assumptions developed in the planning process.

Subpart D. Monitoring or adjusting existing plans

Current performance should be measured against the multi-year plan that has been developed, and the plan adjusted accordingly. Timely updating and revising the current data will improve the plan's reliability to forecast future financial performance.

Part 3. Ownership versus Outsource

Unique for some auxiliary operations, such as a bookstore or food service, is outsourcing versus ownership analysis in order to determine which strategy would be in the best interest of the college or university. Each college and university shall periodically conduct a feasibility study that analyzes the merits of owning versus outsourcing an auxiliary operation. As part of its multi-year planning process, each college and university shall determine how often the study must be conducted and for which auxiliary services. At a minimum, a feasibility study must be conducted at least every five years.

The feasibility study must, at a minimum, look at the advantages and disadvantages of both outsourcing and ownership. Each college or university shall consider cost efficiency, capital investment requirements, management burden, competitiveness, quality of services, and customer satisfaction, etc., in its feasibility study. The study must be documented and retained.

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Date and Subject of Amendments:

05/04/2022 – Reviewed as part of the five year review cycle. The proposed amendment consists of technical edits, and the application of new formatting and writing standards.

08/30/16 - The guideline title was shortened. Amended Part 1 Purpose. Deleted Part 2 Auxiliary Accrual Financial Statements- Definitions. Additional wording and formatting changes throughout for consistency and clarity.

No additional HISTORY