Office of Fiscal Affairs
Board of Regents of
The University System of Georgia

Presentation FY 2014 Year End Training
May 1, 2014
Public Private Venture Program
PPV Accounting and Cash Flow Reporting
Portfolio Approach

BENCHMARKS AND STANDARDS

PERFORMANCE MATTERS

TRANSPARENCY

BEST IN CLASS

PROACTIVE

STRATEGIC
Public Private Venture Program
PPV Accounting and Cash Flow Reporting

TRENDS:

- **INCREASING REQUESTS FOR CASH FLOW DATA** - Continued and More Frequent Requests For Reviews and Cash Flow Data From Standard & Poor’s, Moody’s and other Financial Investors and Bond Holders. (Approximately 25% of Portfolio Reported on During FY 2013)

- **NON-PERFORMING ASSETS** – Growing Concern About Number of PPV Projects Not Meeting Proforma and Not Being Self-Liquidating (Impact of more stringent admission’s criterion, changes to learning support requirements, growing on-line population and ongoing challenges with matriculation.)
Public Private Venture Program
PPV Accounting and Cash Flow Reporting

TRENDS:

➢ **REAL-TIME DATA** - Growing Need for Real-Time Cash Flow Data. Currently Cash Flow Submittal Is Done Once A Year, Movement Toward More Frequent Reporting

➢ **OTHER PPV NEWS – (INCREASE OVERSIGHT AND MORE POLICIES)**

   ✓ Board of Regents Policy Additions Addressing PPV Projects November 2012
     1) System Capacity as % of Revenues
     2) Creation of Capital Liability Reserve Fund
     3) Guidelines Addressing Refinancing

   ✓ Established 5-Year Debt Management Plan December 2012
Public Private Venture Program
PPV Accounting and Cash Flow Reporting

TRENDS:

- OTHER PPV NEWS – (INCREASE OVERSIGHT AND MORE POLICIES)
  - Capital Liability Pooled Reserve Fund Created and Funded July 2013
  - Increased Refinancing of PPV Deals the First Half of 2013 Resulting in Savings
  - Integrated Review of All Proposed PPV Projects, Must Address Critical Need
  - P3 Initiative Underway (Susan Ridley and Marty Nance)
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PPV Accounting and Cash Flow Reporting

ACCURACY & CONSISTENCY
Need to Increase Accuracy in Reporting Cash Flow for PPV Projects
Public Private Venture Program

PPV Accounting and Cash Flow Reporting

FY 2013 Initiatives: Pilot-PeopleSoft Program
(Use of PeopleSoft to Support Cash Flow Submittals)

- Pilot Schools
  1. Georgia College & State University
  2. Georgia Gwinnett College
  3. Georgia Perimeter College
  4. Georgia Southern University
  5. Georgia State University
  6. Savannah State University
  7. University of North Georgia

- Creation of Nvision Report/Efforts to Make Reporting More Simplified

- Redefined Operating and Expense Categories To Be Consistent with PeopleSoft

- Better Clarity as to Source of Revenues
FY 2013 Initiatives: Pilot-PeopleSoft Program  
(Use of PeopleSoft to Support Cash Flow Submittals)

<table>
<thead>
<tr>
<th>Account</th>
<th>PeopleSoft Description</th>
<th>Nvision Report</th>
<th>PPV Cash Flow Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>404xxx</td>
<td>Student Transportation Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>405xxx</td>
<td>Parking/Vehicle Registration Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>406xxx</td>
<td>Student Health Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>407xxx</td>
<td>Student Athletic Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>408xxx</td>
<td>Student Activity Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>409xxx</td>
<td>Other Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>451xxx</td>
<td>Rents</td>
<td></td>
<td>Rental Income</td>
</tr>
<tr>
<td></td>
<td>All other 4xxxx accounts not separately identified in the Revenue section</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fund 10000 (State General)</td>
<td>Fund 10000 (State General)</td>
<td>Fund 10000 (State General)</td>
</tr>
<tr>
<td></td>
<td>Fund 10500 (Tuition)</td>
<td>Fund 10500 (Tuition)</td>
<td>Fund 10500 (Tuition)</td>
</tr>
<tr>
<td></td>
<td>Fund 10600 (Other General)</td>
<td>Fund 10600 (Other General)</td>
<td>Fund 10600 (Other General)</td>
</tr>
<tr>
<td></td>
<td>Fund 14000 (Dept’l Sales &amp; Services)</td>
<td>Fund 14000 (Dept’l Sales &amp; Services)</td>
<td>Fund 14000 (Dept’l Sales &amp; Services)</td>
</tr>
<tr>
<td></td>
<td>Fund 15000 (Indirect Cost Recovery)</td>
<td>Fund 15000 (Indirect Cost Recovery)</td>
<td>Fund 15000 (Indirect Cost Recovery)</td>
</tr>
<tr>
<td></td>
<td>All Other Funds</td>
<td>All Other Funds</td>
<td>All Other Funds</td>
</tr>
</tbody>
</table>

Non-Project Revenue (other revenue either pledged in the pro-forma or not pledged but needed to cover project deficit/shortfall)

<table>
<thead>
<tr>
<th>Account</th>
<th>PeopleSoft Description</th>
<th>Nvision Report</th>
<th>PPV Cash Flow Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>911xxx, 921xxx</td>
<td>Non-Mandatory Transfers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If funding sources are pledged in Proforma
- Bookstore Auxiliary Income
- Food Services/Dining Auxiliary Income
- Concession Auxiliary Income
- Other Auxiliary Income

If funding sources are not pledged in Proforma and needed to cover project deficit/shortfall
- Non-Mandatory Transfers
## FY 2013 Initiatives: Pilot-PeopleSoft Program

### (Use of PeopleSoft to Support Cash Flow Submittals)

<table>
<thead>
<tr>
<th>Item Code</th>
<th>Description</th>
<th>Nvision Report</th>
<th>PPV Cash Flow Report</th>
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</thead>
<tbody>
<tr>
<td>5xxxxx</td>
<td>Salaries and Benefits</td>
<td></td>
<td>Personnel</td>
</tr>
<tr>
<td>7172xx</td>
<td>Electricity</td>
<td></td>
<td>Electricity</td>
</tr>
<tr>
<td>7174xx</td>
<td>Natural/Propane Gas</td>
<td></td>
<td>Natural/Propane Gas</td>
</tr>
<tr>
<td>7175xx</td>
<td>Water</td>
<td></td>
<td>Water/Sewer</td>
</tr>
<tr>
<td>7171xx</td>
<td>Coal</td>
<td></td>
<td>Other Utilities</td>
</tr>
<tr>
<td>7173xx</td>
<td>Fuel Oil</td>
<td></td>
<td>Other Utilities</td>
</tr>
<tr>
<td>7176xx</td>
<td>Other Utilities</td>
<td></td>
<td>Other Utilities</td>
</tr>
<tr>
<td>7151xx</td>
<td>Repairs &amp; Maintenance</td>
<td></td>
<td>Repairs &amp; Maintenance</td>
</tr>
<tr>
<td>7152xx</td>
<td>Repair &amp; Replacement</td>
<td></td>
<td>R&amp;R Contribution</td>
</tr>
<tr>
<td>7201xx</td>
<td>Insurance &amp; Bonding</td>
<td></td>
<td>Insurance &amp; Bonding</td>
</tr>
<tr>
<td>7531xx</td>
<td>Contracts</td>
<td></td>
<td>Contracts</td>
</tr>
<tr>
<td>6xxxxx</td>
<td>Travel</td>
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<td>Other Operating Expense</td>
</tr>
<tr>
<td>All other 7xxxxx</td>
<td>Operating Supplies and Expenses not</td>
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<td>Other Operating Expense</td>
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<td>83xxxx - 88xxxx</td>
<td>Equipment</td>
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<td>890xxx</td>
<td>Depreciation</td>
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<tr>
<td>8181xx</td>
<td>Lease Purchase Principal</td>
<td></td>
<td>Base Rent</td>
</tr>
<tr>
<td>8182xx</td>
<td>Lease Purchase Interest</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Non-Mandatory Transfers (will show here for...
Public Private Venture Program
PPV Accounting and Cash Flow Reporting

Why system-wide standards for accounting for PPV Projects?

- To achieve greater accountability
- To enhance campus/system management and oversight
- To enable more efficient, accurate, and timely reporting to the Board of Regents, rating agencies, and other stakeholders
Public Private Venture Program

PPV Accounting and Cash Flow Reporting

Comments/Issues by the Pilot Team

- Budgeting at the APPROP level versus the ORG level
- ID Code modification
- Consistent use of project ID codes
  - No rule set up in PeopleSoft to require project ID code
- Use of project ID codes in P-Card WORKS
  - Project field can be added to chart string in WORKS
- Use of M&O funds double counted in Nvision report
- Nvision report run by Budget Year instead of Fiscal Year
- Run Nvision report to Report Manager instead of to Windows
- The use of project ID codes in the GAAP ledger
## Project Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Transportation Fees</td>
<td>0.00</td>
<td>404xxx</td>
</tr>
<tr>
<td>Student Health Fees</td>
<td>0.00</td>
<td>406xxx</td>
</tr>
<tr>
<td>Parking/Vehicle Registration Fees</td>
<td>0.00</td>
<td>405xxx</td>
</tr>
<tr>
<td>Student Athletic Fees</td>
<td>0.00</td>
<td>407xxx</td>
</tr>
<tr>
<td>Student Activity Fees</td>
<td>0.00</td>
<td>408xxx</td>
</tr>
<tr>
<td>Other Student Fees</td>
<td>6,949,875.14</td>
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<tr>
<td>Rents</td>
<td>0.00</td>
<td>451xxx</td>
</tr>
<tr>
<td>All Other Revenue</td>
<td>0.00</td>
<td>All other 4xxxx accounts not already identified, Fund 10000</td>
</tr>
<tr>
<td>Fund 10000</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Fund 10500</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Fund 14000</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Fund 15000</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>All Other Funds</td>
<td>50,000.00</td>
<td></td>
</tr>
</tbody>
</table>

**Revenue Subtotal** 6,999,875.14

| Non-Project Revenue       | (200,000.00) | Accounts 911xxx, 921xxx |

**Revenue Total** 6,799,875.14

## Project Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>0.00</td>
<td>5xxxxx</td>
</tr>
<tr>
<td>Electricity</td>
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<td>7172xx</td>
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<tr>
<td>Natural/Propane Gas</td>
<td>20,636.80</td>
<td>7174xx</td>
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<tr>
<td>Water/Sewer</td>
<td>35,694.00</td>
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</tr>
<tr>
<td>Other Utilities</td>
<td>0.00</td>
<td>7171xx, 7173xx, 7176xx</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>1,226,023.05</td>
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</tr>
<tr>
<td>R&amp;R Contribution</td>
<td>0.00</td>
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<tr>
<td>Insurance &amp; Bonding</td>
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<tr>
<td>Contracts</td>
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</tr>
<tr>
<td>Other Operating Expense</td>
<td>50,330.25</td>
<td>83xxxx, 88xxxx</td>
</tr>
</tbody>
</table>

**Project Expenses Subtotal** 2,002,260.74

| Lease Payments             | 4,338,776.00 | Accounts 8181xx, 8182xx |

**Expense Total** 6,341,036.74

**Total** 458,838.40

For Information Only:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encumbrances - Salaries</td>
<td>0.00</td>
<td>5xxxxx, Ledger Detail_In</td>
</tr>
<tr>
<td>Encumbrances - Operating Expense</td>
<td>(95,327.79)</td>
<td>6xxxxx, 7xxxxx, 8xxxxx, Ledger Detail_In</td>
</tr>
</tbody>
</table>

**Encumbrances Subtotal** (95,327.79)
Public Private Venture Program
PPV Accounting and Cash Flow Reporting
Business Procedures Manual

Equilibrium between Accounting and Cash Flow Reporting
Public Private Venture Program
PPV Accounting and Cash Flow Reporting
Business Procedures Manual

**PPV Cash Flow Data Reviewed by BOR, Offices of Fiscal Affairs and Facilities**

- Confirm the annual cash flow numbers are consistent with the approved proforma and verifying that the school is operating the project consistent with the approved deal terms.

- Analyze revenue and expenses and confirming that the correct rental payment was made and determining whether the project is self-liquidating and measuring project coverage ratio.

- Review operating expenses based on the PPV portfolio’s trends and industry standards.

- Confirm amount of project cash reserves held for the project at the institution and the amount of Repair and Replacement reserves held with foundation/trustee is consistent with proforma.

- Confirm any major capital expenditures.

- Any other item as required based on internal and external requests.
PPV Revenue

- **Identification Numbers** - Within PeopleSoft or an alternative accounting system used by non-Georgia First Institutions, each institution is required to use project identification numbers provided by the BOR, Office of Fiscal Affairs that permit revenue tracking by source for each PPV project.

- **Traceable** - All revenue submitted and recorded in the PPV Project Cash Flow submittal must be traceable to the institution’s audited financial statements and business plan, PeopleSoft and Nvision report for the appropriate period.

- **Earned/Allocated** - PPV Project Revenue consists of actual income earned by the project or funds generated outside of the project but allocated to support the PPV Project for the stated period.
PPV Expenses - continued

- **Incurred, Paid or Obligated** - expenditures incurred and paid or obligated for the operation, maintenance, and repair of a PPV facility. Generally include:

  - salaries, wages and benefits of individuals directly responsible for work associated with running and maintaining the facility,
  - the cost of equipment, materials, supplies and services associated with completing work on the facility,
  - the cost of audits,
  - expenses for accounting services, general repair and maintenance of the structure and systems in the structure,
  - electricity, natural and/or propane gas, water/sewer, other utility services,
  - insurance and bonding, and
  - contracts.
PPV Expenses - continued

- **Directly Tracked Expenses** - each institution is required to utilize project identification numbers provided by the BOR, Office of Fiscal Affairs that permit tracking of expenses associated with operating and maintaining the PPV facility.

- **Allocation Method** - allocation permitted if accounting methodology and/or technology barriers prevent the institution from being able to directly track expenses.
  - The assumptions for allocation must be *reasonable*, and take into consideration the type of construction, size and age of the structure, use of facility and any other variables that may contribute to deriving a reasonable calculation.
  - The allocation method must be *reviewed and approved* by the BOR, Office of Fiscal Affairs.
  - Once established and utilized, the allocation method *cannot be changed or modified without prior review and approval* from the BOR, Office of Fiscal Affairs.
  - The method of allocating expenses shall be *explained in the annual Cash Flow* submittals to the BOR, Office of Fiscal Affairs.
PPV Expenses - continued

- **Resident Life Support Programs** - expenses may include the cost of delivering resident life programs as long as the total expenses appear reasonable and consistent from year to year.

- **Student Recreation and Stadium Facilities** - expenses should not include costs associated with running specific programs or the salaries, wages and benefits of individuals serving as teachers, coaches, program leaders or other personnel not dedicated to managing or operating facility.

- **Depreciation and Capital** - are not considered operating expenses

- **Repairs and Replacement Reserve Payments** – recorded as part of the Lease Payment and not under the category “Operating and Maintenance Expense.”
Self-Liquidating Ratio

Calculate Self-Liquidating Ratio for each project and it is the ratio of Net Operating Income to Lease Payment

**Calculation:**

- Revenue = $4,600,000
- Expenses= $1,200,000
- Lease Payment= $2,400,000
- Net Operating Income (NOI)= $4,600,000 minus $1,200,000 or $3,400,000
- Coverage Ratio=NOI/Lease Payment or $3,400,000/$2,400,000 or 1.42

Cumulative Cash Flow

- Amount of project cumulative cash flow used to fund deficit/shortfall
- Amount of project cumulative cash flow that exist as of end of fiscal year
Underperforming PPV Project

An underperforming PPV project is defined as:
- A project whose self-liquidating ratio is below 1.0
- Not keeping reasonable pace with the financials as shown in the approved proforma for the project.

For any underperforming PPV project, the Chief Business Officer is to:
- Notify BOR, Office of Fiscal Affairs prior to certification and submittal of cash flow data that the project is underperforming and state factors contributing to the underperformance of the project.
- Adopt and implement PPV Project Action Plan to remedy shortfall in coordination with BOR, Office of Fiscal Affairs.
- Submit progress reports periodically and/or as requested by BOR, Office of Fiscal Affairs, demonstrate compliance with the PPV Project Action Plan.
PPV Reporting:

- BOR, Office of Fiscal Affairs prepares an annual report of PPV performance and submits it to the Chancellor, EVC for Administration, Vice Chancellor of Fiscal Affairs, and Vice Chancellor of Facilities.

- The report is to:
  - List underperforming projects,
  - Identify factor(s) contributing to underperformance of the project and,
  - Note how institution plans to remedy shortfall(s).

- As necessary and/or required, the overall performance of the PPV portfolio is submitted and shared with rating agencies, financial institutions, legislators and the public.
Public Private Venture Program

PPV Accounting and Cash Flow Reporting

FY 2013 PPV Performance

Some Challenges!
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PPV Accounting and Cash Flow Reporting

FY 2013 PPV Cash Flow Findings

- Majority of Portfolio Achieved 1.0 or Greater Self-liquidating Coverage Ratio.

- 25 Underperforming Projects – 16 are Enrollment Driven Projects and 9 Housing Projects

- Key Challenges with Underperforming Assets
  - Enrollment decline due to changes in learning support and other factors
  - Increase in on-line students impacting headcount for fee
  - Operating Expenses increase without corresponding increase in revenue

- Action Plans Devised for All Underperforming Projects
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PPV Accounting and Cash Flow Reporting

FY 2014 PPV Cash Flow Suggestions

- **Review reporting requirements**
  - ✓ Ask for one-on-one meeting/training with System Office, Office of Fiscal Affairs

- **Employ proactive management style**
  - ✓ Active and continuous review of project revenue, expenses, enrollment and occupancies
  - ✓ Seek assistance from the System Office, Office of Fiscal Affairs when challenges (financial and operational) are first indicated

- Understand **connectivity** amongst PPV cash flow, business plans, audited financial statements, PeopleSoft and Nvision reports
  - ✓ Assure same data and information is reported
Public Private Venture Program
PPV Accounting and Cash Flow Reporting

We’re In This Together
Students, Institution, Foundation, & System Office