OP 62.11: AUXILIARY FINANCIAL OPERATIONS

PURPOSE

The purpose of this policy is to establish financial operating expectations for Mississippi State University's auxiliary enterprises and promote their long-term financial sustainability. Auxiliary enterprises are expected to operate in a fiscally responsible manner, maintain adequate resources to support operations and debt obligations, and protect the University's overall financial strength and debt capacity.

SCOPE

This policy establishes financial reserve, debt management, and financial reporting requirements for auxiliary enterprises. It applies to all Mississippi State University auxiliary enterprises and other self-supporting operations designated by the University as auxiliary activities. Covered operations may include, but are not limited to:

- Housing and Residence Life
- Dining Services
- Athletics
- Parking and Transportation Services
- University-operated retail, service, and support activities
- Other auxiliary enterprises designated by the Division of Finance and Administration

POLICY

Guiding Principles

Auxiliary enterprises are expected to operate as financially self-sustaining enterprises while protecting Mississippi State University's long-term financial strength and debt capacity.

In carrying out their operations, auxiliary enterprises shall be guided by the following principles:

- Auxiliary enterprises should generate sufficient revenues to support operating expenses, deferred maintenance, capital renewal needs, and debt obligations.
- Financial planning and decision-making should consider both current operating needs and future obligations, including facility renewal and major capital investments.
- Financial decisions should consider their impact on the University's overall financial position, debt capacity, and strategic priorities.

Financial Reserves

Auxiliary enterprises shall maintain adequate financial reserves to support operations and manage financial risk. Each auxiliary enterprise shall maintain a minimum of 120 Days Cash on Hand, calculated annually by the Division of Finance and Administration. Auxiliary enterprises that do not meet this requirement may be required to develop a reserve restoration plan or other corrective measures as determined by the Division of Finance and Administration.

Debt Management and Financing Requirements

Debt financing may be used to support capital projects, major renovations, facility improvements, and other long-lived assets. When evaluating debt-financed projects, consideration shall be given to:

- Alignment with University and auxiliary enterprise priorities
- The ability of auxiliary revenues to support debt repayment
- The long-term financial viability of the auxiliary enterprise
- The impact on the University's debt capacity.

Requests for new debt financing shall include:

- A business case describing the project and its anticipated benefits
- A five-year financial forecast that includes projected revenues, expenses, debt service obligations, and Debt Service Coverage Ratios (DSCR)
- Debt Service Coverage Ratio (DSCR) must be greater than or equal to 2.0x. Projects that do not meet the minimum DSCR requirement may be denied, modified, or subject to additional review.
- Stress-testing scenarios demonstrating the project's ability to withstand adverse financial conditions
- Any additional information requested by the Division of Finance and Administration.

The Division of Finance and Administration shall review all debt financing requests for compliance with this policy.

Annual Reporting and Monitoring

The Division of Finance and Administration shall conduct an annual review of each auxiliary enterprise's financial condition and compliance with this policy. Prior to the annual review, the Division of Finance and Administration shall calculate Days Cash on Hand for each auxiliary enterprise using the University's approved methodology.

At a minimum, auxiliary enterprises shall provide:

- Five years of historical operating results
- Significant financial trends, variances, and changes affecting the operation
- Relevant demand, utilization, or performance metrics
- Information regarding major capital investments, deferred maintenance needs, and other significant obligations
- Any additional information requested by the Division of Finance and Administration

Corrective Action and Financial Recovery

Auxiliary enterprises that fail to meet the requirements of this policy may be subject to additional review, monitoring, or corrective action.

Depending on the circumstances, corrective measures may include:

- Deficit mitigation plans
- Reserve restoration plans
- Enhanced monitoring and reporting
- Periodic review meetings with auxiliary leadership
- Additional analysis or reporting requirements

Exceptions and Temporary Waivers

The Division of Finance and Administration may grant temporary exceptions or waivers to specific policy requirements when justified by unique circumstances or extraordinary events.

Requests shall be evaluated on a case-by-case basis considering the underlying cause, anticipated duration, financial impact, and recovery strategy. The granting of an exception or waiver does not eliminate the expectation that the auxiliary enterprise will take appropriate actions to restore compliance with this policy.

REVIEW

This policy will be reviewed every four years or as needed by the Associate Vice President for Finance with any modifications submitted to the Vice President for Finance & Administration.

REVIEWED BY:

/s/ Les Potts 08/25/2026
Vice President, Finance & Administration Date

/s/ Tracey N. Baham 08/25/2026
Associate Vice President, Institutional Strategic & Effectiveness Date

/s/ Joan Lucas 08/25/2026
General Counsel Date

APPROVED BY:

/s/ Mark E. Keenum 11/23/2026
President Date