



## Agency Policies and Procedures

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### Business Plan

#### Policy Objectives:

Agency policies and procedures for the business plan are designed to establish a uniform approach for the timely preparation and presentation of annual business plans and interim requests for rate changes.

#### Background Information:

These agency policies and procedures supplement the Minnesota Accounting and Procurement System (MAPS) Operations Manual Policy and Procedures 0108-01 *Internal Service Fund Rate Approval*.

It is the responsibility of each internal service fund to develop rates that recover their own expenses, and are set as close to the breakeven rate as possible. Enterprise funds are responsible to develop rates to provide goods and/or services primarily to customers other than the State of Minnesota. Some other funds may be required to develop business plans. The Financial Management and Reporting (FMR) staff will notify businesses that are required to completed business plans.

This policy should be followed annually, except for Plant Management Division – Leases, which is prepared biennially (every 2 years) using this same process.

#### Authority:

- **Minnesota Statute**  
[M.S. § 16A.126 Revolving Fund Billing](http://www.revisor.leg.state.mn.us/stats/16A/126.html) – This statute requires that the commissioner of finance must approve rates an agency must pay for services. <http://www.revisor.leg.state.mn.us/stats/16A/126.html>
- **MAPS Operations Manual Policy and Procedure 0108-01**, *Internal Service Fund Rate Approval*, specifies that the commissioner of finance must annually approve rates charged by internal service funds for goods or services sold to state agencies. Approval of these rates must be granted prior to the establishment of the annual budget or spending plan for each fund.  
<http://www.mmb.state.mn.us/chapter-1/212-212>

#### Business Risks:

- Customers, such as other state agencies, may not have the correct information to prepare their budgets if the business plans are not prepared and approved timely and accurately.

- Noncompliance will delay the rate setting approval; thereby, possibly affecting revenue collections, budgets, planning, and customer relations.
- Inaccurate or incomplete information in the business plan may result in poor decision-making by management and/or mismanagement of the fund.
- Management tools to ensure that forecasted results are met will not be available if the business plan is not prepared appropriately.

## **Policies and Procedures:**

### **PART ONE – ANNUAL BUSINESS PLAN PROCESS**

1. FMR provides instructions and guidance on information to be used in the development of the business plan such as percentage of salary increase.
2. The division must complete the electronic business plan documents distributed through email by FMR in February of each year. Exceptions to the format must be obtained from the financial management accounting director or designee prior to the submission of the business plan. The following information must be included in each business plan in a Portable Document Format (PDF):
  - A. Business plan information required in the electronic business plan format document,
  - B. Financial Data identified in the financial data worksheet, and
  - C. PDF file of the most current financial statement.
3. The division must submit the electronic copies of the business plan to the appropriate deputy/assistant commissioner, financial management director, accounting director, and FMR accountant by April 24<sup>th</sup> of each year. The deadline for Plant Management Division – Leases business plan is August 15<sup>th</sup> of the even-numbered years. If the deadline falls on a weekend, the business plan is due the Monday following the weekend. FMR will forward a copy of the business plan to the commissioner.
4. FMR staff will review the business plans and contact the divisions with any questions regarding the information provided in the business plan.
5. The FMR accountant will prepare a highlight of the business plan and distribute the highlights to the division and management as appropriate.
6. Business plan reviews will be scheduled by the commissioner's office and held to discuss the business plan with the commissioner, the deputy/assistant commissioner, division representation, and FMR staff. The division will revise the business plan if required after the review and submit electronic copies to the commissioner, appropriate deputy/assistant commissioner, financial management director, accounting director, and FMR accountant.
7. Following the business plan approval by the commissioner, the FMR Division will forward the business plan to the Department of Finance (DOF) for approval.
8. After DOF gives final approval through written documentation to FMR, the approval is disseminated to each business. The business must then notify their customers of the approved rate.
9. FMR provides copies of the highlights and business plans to the legislature.

### **PART TWO – INTERIM RATE ADJUSTMENT REQUESTS**

1. The following information must be included for an interim rate adjustment:
  - A. Prepare an executive summary addressed to the commissioner requesting approval for the rate(s) change(s). The executive summary must explain what change(s) are being proposed; reasons for the change(s); changes in volume, rate, revenue, and expenses; impact on 5 largest customers, impact on retained earnings; and an effective date for the new rate(s), and
  - B. Include a rate matrix specific to the rate adjustment(s) using the same format submitted in the business plan.

2. Submit the interim rate adjustment request electronically to the deputy/assistant commissioner, financial management director, accounting director, and FMR accountant. FMR will forward a copy of the rate adjustment request to the commissioner. The request must be submitted in a timely manner to allow for review and approval by the commissioner and the financial management director.
3. Following the interim rate adjustment approval by the commissioner, the financial management director will forward the interim rate adjustment request to DOF for approval.
4. After DOF gives final approval through written documentation to FMR, the approval is disseminated to each business. The business must then notify their customers of the approved rate.
5. FMR provides copies of the rate adjustment to the legislature.

**See Also:**

**[Federal Office of Management and Budget \(OMB\) Circular A-87 Cost Principles for State, Local and Indian Tribal Governments](http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html)** – Federal guideline that establishes the principles of determining the allowable costs incurred by state and local governments. This guideline also states that excess working capital balances, more than 60 days of cash operating expenditures, may require a payback imposed by the federal government.  
[http://www.whitehouse.gov/omb/circulars/a087/a87\\_2004.html](http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html)