

Overview of Campus Designated Balances and Reserves

University Resources & Planning Committee

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Agenda

- Reserve Policy and Planning Context
- Review of Campus Designated Balances and Reserves
- 2020-21 Year-End Overview

Note: This presentation does not include auxiliary organization information

Designated Balances and Reserves Key Concepts

- Designated Balances and Reserves represent a balance at a single point in time → July 1st
- Not all balances are free and clear – “designated balances” are generally already committed, while “reserves” are truly available one-time savings
- Policies, best practices, and planning targets guide campus reserve planning efforts
- The same spending rules apply to Reserves (ex - Housing reserves must be spent on the housing program)
- Reserves are a one-time source of funding - once they are spent, they are gone and as such, should not be used to cover ongoing costs

Examples of Activity in “Designated Balances and Reserves”

- Operating Fund has an Operating Reserve “savings account”/Rainy Day Fund of \$6.3M (*available to support Operating Fund-Reserves*)
- In 2019-20, the CO gave HSU \$8.6M to for the Trinity Annex Children’s Center project; however, spending will occur over multiple years -> July 1, 2021 balance: \$4.2M (*not available-Designated Balance*)
- A department orders \$10k worth of equipment that hasn’t arrived or been paid for, reflected at year-end as an Encumbrance (*not available-Designated Balance*)
 - Encumbrances across Operating Fund and self-support funds at the end of 2020-21 totaled \$4.5M
- Across the campus we have 2021-22 budget shortfalls totaling \$5.2M – Reserves will bridge many of these shortfalls in the coming year and have been planned for via “Designated for Outstanding Commitments” (*not available-Designated Balance*)
 - Example: Housing has earmarked \$3.6 million to cover their 2021-22 budget shortfall; therefore, their balance at the end of 2021-22 is anticipated to be \$3.6 million lower than it currently is

HSU Reserve Planning Process

- CSU Policy requires HSU to annually submit reserve entries detailing campus plans for existing reserves
- Fund structure separates reserves into Operating, Maintenance, & Capital activity
- Each May/June, Budget Office works with each area to document how they intend to use the money in the future
 - There are several accounts to choose from
 - Entries must balance to the penny
- Budget Office reviews planned reserve entries with CFO
- Reserve entries are posted in the financial system as part of year-end close – the last thing that happens each year!

Operating Fund Reserve Planning

- Reserve planning guided by [University Operating Fund Reserve Policy](#) – developed by URPC, formally approved 12/2017, revised 12/2020

- In this context, a Reserve is like a savings account

- Excerpts from policy:

Reserve: An accumulation of unrestricted funds set aside for economic uncertainties, unexpected expenses, losses, cash flow shortages, large repair or renovation projects, the acquisition and development of new facilities, and/or for future planning purposes. Reserves are a one-time source of funding. Once they are spent, they are gone, unless replenished from an alternate funding source.

- At a minimum, reserves in the following three areas need to be addressed:
 - Operating Reserve
 - Maintenance Reserve
 - Capital Reserve (Capital Improvement Fund)
 - Equipment Reserve

Operating Fund Reserve Policy Principles

- It is the policy of Humboldt State University to maintain financial reserves adequate to **ensure responsible fiscal management, advance University priorities, and mitigate current and future risk.**
- Building reserves is an **important component of long-term, strategic planning** to meet the University's objectives; failing to plan to adequately maintain our buildings and infrastructure is unsustainable and poses an unacceptable risk to the University.
- Reserves used to make up for unexpected revenue shortfalls or unforeseen costs should be accompanied by a near-term plan to increase revenue or reduce expenditures to replenish the reserve.
- While it is appropriate to use reserves to resolve timing problems, **reserves should be used only to provide a bridge to a solution rather than as a means to delay addressing a structural issue.**

Non-Operating Fund Reserves Planning

Some areas, such as Housing, have separate policies that guide their reserve planning

For areas without separate policies, the general planning principles/targets are as follows:

- Reserve for Economic Uncertainty: Target ~3-4 months (25%-33% of budget)
- For self-support funds with building debt, reserve one year of debt service payments
- Encumbrances must be reserved as is
- Other reserve designations are specific to the fund/area

Operating Fund Reserve Policy Targets

Guided by [University Operating Fund Reserve Policy](#) – developed by URPC, formally approved 12/2017, revised 12/2020

Reserve Funds	Target %	~ Target (\$M)
Operating Reserve	25% of Budget	\$33.2
Maintenance Reserve	.5% of CRV*	\$4.5
	10% of CP**	\$6.9
Capital Reserve	10% of CP**	\$18.2
	.5% of CRV*	\$4.5
Equipment Reserve	10% of CRV of cap equipment	TBD
Total Targeted Savings		\$67.3

Represent our
“savings accounts”

*CRV = Current Replacement Value – HSU’s CRV is \$893M based on recently completed facility condition audits

**CP = CSU Five-Year Capital Plan - HSU's total projects in 2021-22 plan: Capital = \$182M, Maintenance = \$69M

HSU's Operating Fund "Savings Accounts" (as of 7/1/21)

Guided by [University Operating Fund Reserve Policy](#) – developed by URPC, formally approved 12/2017, revised 12/2020

Reserve Funds	Target %	~ Target (\$M)	Current %	Current (\$M)	% of Target
Operating Reserve	25% of Budget	\$33.2	4.7%	\$6.3	19%
Maintenance Reserve	.5% of CRV*	\$4.5		\$2.0	44%
	10% of CP**	\$6.9		\$0.3	4%
Capital Reserve	10% of CP**	\$18.2		\$3.6	20%
	.5% of CRV*	\$4.5		\$0.0	0%
Equipment Reserve	10% of CRV	TBD		\$0.0	0%
	of cap equip				0%
Total Reserves		\$67.3		\$12.2	18%

*CRV = Current Replacement Value – HSU's CRV is \$880M based on recently completed facility condition audits

**CP = CSU Five-Year Capital Plan - HSU's total projects in 2021-22 plan: Capital = \$182M, Maintenance = \$69M

2020-21 HSU Fund Designated Balances & Reserves Overview

Note: Balances do not include auxiliary organizations

BREAKDOWN BY ACCOUNT

	2019-20	2020-21	Change	Notes
Designated for Future Debt Service	3,736,802	1,407,171	-2,329,631	Areas no longer able to designate 1 yr of debt payments due to pandemic
Designated for Encumbrances	4,823,368	4,478,004	-345,364	Reflects purchases in progress at year-end
Designated for Financial Aid	1,892,832	2,105,784	212,952	SUG, Off-Campus Housing Grant, Student Adversity Grant, Scholarships
Designated for Outstanding Commitments	25,696,025	21,713,722	-3,982,303	Earmarked via one-time budget allocations and/or to cover budget shortfalls
Designated for Program Development	273,692	200,000	-73,692	
Subtotal Short Term Obligations	36,422,719	29,904,680	-6,518,039	40% of total balances
Designated for Capital Improvement/Construction	23,559,343	21,464,972	-2,094,371	
Designated for Equipment Acquisition	130,000	360,000	230,000	
Designated for Facilities Maintenance and Repairs	8,627,142	9,300,778	673,636	
Subtotal Capital	32,316,484	31,125,750	-1,190,734	42% of total balances
Total Designated Balances	68,739,203	61,030,430	-7,708,773	82% of total balances
Reserves - Economic Uncertainty	12,454,187	13,444,372	990,185	18% of total balances - reflects rainy day/savings (see breakout for detail)
Total Designated Balances & Reserves	81,193,390	74,474,801	-6,718,589	

Note: numbers may vary slightly due to rounding

[Source: CSU Transparency Portal \(OpenGov\)](#)

2019-20 HSU Fund Designated Balances & Reserves Overview

Note: Balances do not include auxiliary organizations

TOTAL BREAKDOWN BY FUNDING SOURCE

	2019-20	2020-21	Change	Notes
Operations	29,627,649	28,490,238	-1,137,411	
Operating Fund	15,899,170	14,856,726	-1,042,444	
Operating Reserve	6,300,000	6,300,000		- 4.7% of budget, HSU policy target 25%, CSU policy min 25%
Student Health & Wellbeing	2,538,194	3,034,827	496,633	balance will be leveraged toward 2021-22 -\$1M budget shortfall
Other Operating	4,890,285	4,298,685	-591,600	
Housing & Dining	16,806,928	11,053,252	-5,753,676	In 2020-21, -\$7.2M Housing, +\$1.4M Dining; Housing 2021-22 -\$3.6M budget shortfall and \$4.3M in active and/or encumbered projects
Parking	4,296,090	3,913,707	-382,383	
Professional & Continuing Education	2,258,519	2,429,724	171,025	
Student Body Center Programs (SAC, CA)	1,040,059	1,677,428	637,369	
Health Facilities	435,577	792,484	356,907	
Lottery	416,108	471,245	55,137	
Local Trust Funds (including IRA)	2,927,282	3,719,061	791,779	
Capital & Special Projects	23,385,177	21,927,661	-1,457,516	
Total Fund Balances & Reserves	81,193,390	74,474,801	-6,718,589	

[Source: CSU Transparency Portal \(OpenGov\)](#)

2019-20 HSU Fund Designated Balances & Reserves Overview

Note: Balances do not include auxiliary organizations

RESERVE FOR ECONOMIC UNCERTAINTY BY FUNDING SOURCE			
	2019-20	2020-21	Change
Operations	7,168,188	7,340,167	171,979
Operating Reserve	6,300,000	6,300,000	- 4.7% of budget, HSU policy target 25%, CSU min 25%
Student Health & Wellbeing	868,188	1,040,167	171,979
Housing	1,108,660	1,087,664	-20,996
Parking	218,004	194,281	-23,723
Professional & Continuing Education	1,742,839	2,063,494	320,655
Student Body Center Programs	291,573	380,075	88,502
Health Facilities	24,256	16,950	-7,306
Lottery	123,021	134,523	11,502
Local Trust Funds (including IRA)	1,777,645	2,227,217	449,572
Capital & Special Projects	-	-	-
Total Fund Balances & Reserves	12,454,186	13,444,372	990,185

[Source: CSU Transparency Portal \(OpenGov\)](#)

July 1, 2021 Reserve Summary

- HSU's Reserve levels decreased by \$6.7M in 2020-21, totaling \$74.5M
 - This result exceeded expectations –proactive planning and infusion of CARES/HEERF federal funding helped stabilize operations and minimize shortfalls
- The Reserve levels we have are allowing us to maintain operations during the pandemic with less disruption
- Reserve levels are annually evaluated against plans and needs to determine whether to reinvest or save
 - Example: Two years ago, Housing reserves were invested into student housing scholarships in light of change in plans related to new facility
- Need to continue to strategize growth in reserves over time -
Operating Fund Operating Reserve only covers 19 days of operations (90 days is the goal)

Operating Fund Year-End Review

2020-21 Operating Fund Year-End Summary

Total Year-End Roll Forward: \$13,667,295 (down from ~\$15M in 19-20)

Revenue	Original Budget	Revised Budget	Actual		Balance Remaining	%
State Appropriation	85,580,000	84,479,000	84,479,000		-	100.0%
Higher Education Fees	34,360,803	36,450,385	37,414,242		963,857	102.6%
Misc. Rev & Cost Recovery	8,751,652	9,818,327	9,756,683		(61,644)	99.4%
	128,692,455	130,747,712	131,649,925		902,213	100.7%
Expenditures	Original Budget	Revised Budget	Actual	Encumbrances	Balance Remaining	% Spent
Salaries	70,492,285	71,767,219	69,414,151	-	2,353,068	96.7%
Benefits	38,929,560	36,966,559	35,584,637	-	1,381,922	96.3%
Operating Expenses	15,554,435	24,538,485	15,173,452	1,129,341	8,235,692	66.4%
Financial Aid	12,697,947	13,314,529	12,520,129	-	794,400	94.0%
Total Expenses	137,674,227	146,586,792	132,692,369	1,129,341	12,765,082	91.3%

— Retirement

+ Tuition

\$1.3M student wages

EEP savings, hiring chill

Pandemic impacts – one-time savings (utilities, travel, etc.), unspent balances in restricted/earmarked activities(~\$7M)

2020-21 Year-End Expenditure Breakdown by Division

Operating Fund Expenditures by Division	Original Budget	Revised Budget	Actual	Encumbrances	Balance Remaining	YTD %
Expenditures						
01 - PRESIDENT	3,502,833	3,187,210	2,849,782	54,267	283,161	91.1%
02 - UNIVERSITY ADVANCEMENT	3,562,273	4,601,606	3,612,261	37,526	951,818	79.3%
03 - ACADEMIC AFFAIRS	79,946,240	85,600,786	76,956,233	646,237	7,998,316	90.7%
04 - ADMINISTRATIVE AFFAIRS	21,436,294	21,886,764	20,842,579	349,563	694,622	96.8%
05 - ENROLLMENT MANAGEMENT	10,275,173	12,736,511	10,784,902	41,190	1,910,419	85.0%
09 - UNIVERSITY WIDE	18,951,414	18,573,915	17,646,612	558	926,745	95.0%
Total Expenditures	137,674,227	146,586,792	132,692,369	1,129,341	12,765,082	91.3%