

Overview of Campus Fund Balance and Reserves

University Resources & Planning Committee

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Agenda

- Reserve Policy and Planning Context
- Review of Campus Fund Balances and Reserves
- CSU Transparency Portal Demo

Note: This presentation does not include auxiliary organization information

Fund Balance and Reserves Key Concepts

- Reserves represent a balance at a single point in time → July 1st
- Not all Reserve balances are free and clear - many are already committed, while some are truly 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 “Reserves”

- In 2019-20, the CO gave HSU \$8.6M to for the Trinity Annex Children’s Center project; however, spending will largely not occur until future years -> July 1, 2020 reserve balance: \$8M (*not available*)
- Operating Fund has an Operating Reserve “savings account”/Rainy Day Fund of \$6.3M (*available to support Operating Fund*)
- A department orders \$10k worth of equipment that hasn’t arrived or been paid for, reflected at year-end as an Encumbrance (*not available*)
 - Encumbrances across Operating Fund and self-support funds at the end of 2019-20 totaled \$4.8M
- Across the campus we have significant 2020-21 budget shortfalls totaling \$16.9M – Reserves will bridge many of these shortfalls in the coming year and have been planned for via “Designated for Outstanding Commitments”
 - Example: Housing has earmarked \$6 million to cover their 2020-21 budget shortfall; therefore, their balance at the end of 2020-21 is anticipated to be \$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 President and 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

- 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)

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.**

Operating Fund Reserve Policy Targets

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

Reserve Funds	Target %	~ Target (\$M)
Operating Reserve	10% of Budget	\$13.8
Maintenance Reserve	.5% of CRV*	\$4.4
	10% of CP**	\$5.8
Capital Reserve	10% of CP**	\$16.3
	.5% of CRV*	\$4.4
Total Targeted Savings		\$44.7

Represent our
“savings accounts”

*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 2020-21 plan: Capital = \$163M, Maintenance = \$37M

HSU's Operating Fund "Savings Accounts"

(as of 7/1/20)

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

Reserve Funds	Target %	~ Target (\$M)	Current %	Current (\$M)	% of Target
Operating Reserve	10% of Budget	\$13.8	4.6%	\$6.3	46%
Maintenance Reserve	.5% of CRV*	\$4.4		\$2.0	45%
	10% of CP**	\$5.8		\$0.7	12%
Capital Reserve	10% of CP**	\$16.3		\$3.4	21%
	.5% of CRV*	\$4.4		\$0.0	0%
Total Reserves		\$44.7		\$12.4	32%

*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 2020-21 plan: Capital = \$163M, Maintenance = \$37M

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 months (25% 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

2019-20 HSU Fund Balances & Reserves Overview

Note: Balances do not include auxiliary organizations

BREAKDOWN BY ACCOUNT

	2018-19	2019-20	Change	Notes
Designated for Future Debt Service	3,730,252	3,736,802	6,550	
Designated for Encumbrances	4,210,571	4,823,368	612,797	reflects purchases in progress at year-end
Designated for Financial Aid	-	1,892,832	1,892,832	SUG, Off-Campus Housing Grant, Student Adversity Grant, Scholarships
Designated for Outstanding Commitments	13,803,500	25,696,025	11,892,525	balance will be leveraged toward 2020-21 budget shortfalls (-\$16.9M)
Designated for Program Development	350,000	273,692	(76,308)	
Designated for PaCE Campus Partners	93,143	-	(93,143)	<i>designation obsolete for 2019-20</i>
Total Short Term Obligations	22,187,466	36,422,719	14,235,253	
Designated for Capital Improvement/Construction	19,699,958	23,559,343	3,859,385	includes \$8M for Trinity Annex Project
Designated for Equipment Acquisition	290,000	130,000	(160,000)	
Designated for Facilities Maintenance and Repairs	11,111,887	8,627,142	(2,484,745)	
Capital	31,101,845	32,316,485	1,214,640	
Designated for Catastrophic Events	-	-	-	
Reserve for Economic Uncertainty	14,718,951	12,454,186	(2,264,765)	reflects rainy day/savings (see breakout for detail)
Total Fund Balances & Reserves	68,008,262	81,193,390	13,185,128	

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

2019-20 HSU Fund Balances & Reserves Overview

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TOTAL BREAKDOWN BY FUNDING SOURCE

	2018-19	2019-20	Change	Notes
Operations	24,719,944	29,627,650	4,907,706	
Operating Fund	11,378,458	15,899,170	4,520,712	See year-end review; will help cover 2020-21 -\$9M budget shortfall
Operating Reserve	6,300,000	6,300,000		- 4.6% of budget, HSU target 10%, CSU min 25% - will need to revise policy
Student Health & Wellbeing	2,127,928	2,538,194	410,266	balance will be leveraged toward 2020-21 -\$1.3M budget shortfall
Other Operating	4,826,192	4,890,285	64,093	
Housing	19,049,332	16,806,928	(2,242,404)	balance will be leveraged toward 2020-21 -\$6.0M budget shortfall
Parking	4,260,550	4,296,090	35,540	balance will be leveraged toward 2020-21 -\$176k budget shortfall
Professional & Continuing Education	2,387,458	2,258,519	(128,939)	balance will be leveraged toward 2020-21 -\$264k budget shortfall
Student Body Center Programs	1,612,693	1,040,059	(572,634)	
Health Facilities	442,426	435,577	(6,849)	
Lottery	404,526	416,108	11,582	
Local Trust Funds (including IRA)	2,298,599	2,927,282	628,683	balance will be leveraged toward 2020-21 -\$473k budget shortfall
Capital & Special Projects	12,832,734	23,385,177	10,552,443	increases include: \$8M Trinity Annex; \$1.2M Jenkins Hall, \$446k emergency regeneration; \$339k building entry and security
Total Fund Balances & Reserves	68,008,262	81,193,390	13,185,128	

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

2019-20 HSU Fund Balances & Reserves Overview

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RESERVE FOR ECONOMIC UNCERTAINTY BY FUNDING SOURCE

	2018-19	2019-20	Change
Operations	7,382,338	7,168,188	(214,150)
Operating Reserve	6,300,000	6,300,000	- 4.6% of budget, HSU target 10%, CSU min 25%
Student Health & Wellbeing	1,082,338	868,188	(214,150)
Housing	3,080,777	1,108,660	(1,972,117)
Parking	174,845	218,004	43,159
Professional & Continuing Education	1,886,066	1,742,839	(143,227)
Student Body Center Programs	261,549	291,573	30,024
Health Facilities	26,257	24,256	(2,001)
Lottery	146,288	123,021	(23,267)
Local Trust Funds (including IRA)	1,760,831	1,777,645	16,814
Capital & Special Projects	-	-	-
Total Fund Balances & Reserves	14,718,951	12,454,186	(2,264,765)

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

July 1, 2020 Reserve Summary

- HSU's Reserve levels increased in 2019-20, totaling \$81.2M
 - Significant project activity and deficit spending likely to reduce balances a year from now
- The Reserve levels we have now are allowing us to maintain operations during the pandemic with less disruption
- Reserve levels are being actively evaluated against plans and needs to determine whether to reinvest or save
 - Example: Last year, Housing reserves were invested into student housing scholarships in light of change in plans related to new facility
- Reserve levels by area are a mix – some are lower than they should be, some are just right, and a few provide the opportunity to invest back in the organization

Thank you!

Questions?