

# June 30, 2017 E&G Unrestricted Net Assets

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BUDGET SUBCOMMITTEE– OCTOBER 4, 2017

PLANNING AND BUDGET – OCTOBER 12, 2017

# University Financial Health Assessment

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- BOG Policy 2011-01-*University Financial Health* adopted by the Board of Governors on April 7, 2011 to establish expectations for long-term financial health of System entities through the measure of unrestricted net assets (URNA) and operating margins.
- URNA balances (defined as E&G (excluding 5% healthcare reserve) **plus** E&G plant **less** outstanding commitments) shall be maintained annually with the range of 5% to 10% of the University's current year E&G revenue to:
  - Protect the System and individual universities in cases of sudden revenue reductions;
  - Provide resources to address unanticipated expenses, including emergencies; and,
  - Prepare for multiyear planning needs.
- Policy rescinded by the Board of Governors January 22, 2015.
- University financial health is now being assessed at the System level via annual "Financial Risk Assessment" reports, largely based on Moody's ratios, that include the following components: market demand, operating efficiency, financial performance, and management risk.

# 6/30/17 TOTAL E&G Unrestricted Net Assets\*

(\* Does not include unfunded liabilities (compensated absences, postretirement benefits, or pension liability)

## 6/30/17 URNA\* System-Wide Perspective:

- Balances range from \$(19,794,918) to \$121,759,473
- Bloomsburg University has the third largest balance



Educational and General Fund Net Asset Balance Detail	
Technology Initiatives (Tech Fee Fund)	\$ 570,287
Academic/Student Affairs/SEM Initiatives (Academic Enhancement Fee Fund)	4,000,667
Sustainability Initiatives	266,872
Scholarships <sup>1</sup>	374,041
President/VP/Dean Residual Budget Carryforwards	2,322,963
Student Information System (MyHusky)	418,429
Other <sup>2</sup>	2,015,588
Self-Supporting Operations <sup>3</sup>	3,919,718
Reserve-Institutional	18,573,830
Reserve-Utilities	159,159
Reserve-Miscellaneous	965,433
Outstanding Commitments (contractual)	1,489,718
<b>Total Educational and General Fund Net Asset Balance-6/30/17</b>	<b>\$ 35,076,705</b>

Educational and General Plant Fund Net Asset Balance Detail	
Maintenance and Repair	\$ 519,919
Waller Expansion	12,000,000
Relocate Phone Switch/Computing Backup/Police to Andruss Library-Equipment	549,616
Centennial Hall Replacement Parking Lot	220,876
Electrical Distribution Project	158,002
Coal Boiler Replacement	143,464
Columbia Residence Hall Chiller Building-E&G Share	120,718
Other	202,846
Contingency Reserve	2,841,193
Outstanding Commitments (contractual)	3,390,881
<b>Total Educational and General Plant Fund Net Asset Balance-6/30/17</b>	<b>\$ 20,147,515</b>

**Grand Total-Educational and General Net Asset Balance-6/30/17**      **\$ 55,224,220**

<sup>1</sup> Includes PEPSI/Trustee, Verizon Retention, Integra College Grant, and USH (ACT 101 summer program) funds.

<sup>2</sup> Includes Special Program funds (President's Strategic Planning Grants, Indirect Cost, Financial Aid Administrative Allowance, etc.) and the majority of E&G General Funds that carryforward to self (Office of Technology, Telecom Ctr, PBX and Voicemail, etc.).

<sup>3</sup> Includes camps, conferences, Speech and Hearing Clinic, shuttle bus operation, etc.

# Planned Use of June 30, 2017 Carryforward (Unrestricted Net Assets)-Educational and General Fund

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- Collaborative effort across all divisions of the University.
- Use of carryforward plans are provided by division leaders, as part of the fiscal year-end process, to the Budget Office via a standard reporting template.
- Divisions instructed to include only those June 30, 2017 carryforward funds that are **planned to be spent** in FY 2017-18 and FY 2018-19. **Funds are to be used for one-time projects and initiatives. Execution of these funds is being scrutinized more closely.**
- Examples of planned use of Educational and General fund (non-plant) carryforward balances:
  - Balance E&G General Fund projected budget deficit
  - Strategic enrollment management initiatives (prospective student names purchase, target application generation, consulting with RNL)
  - Capital projects (Haas sound system, Testing Center, Innovation Center, Soundproofing Music Rooms, Centennial Parking Lot Replacement)
  - Executive search expenses (AVP-Marketing and Communications)
  - Branding and web design
  - Equipment and furnishings
  - Women's volleyball start-up costs
  - Presidential transition
  - Student development initiatives
  - Faculty research start up
  - Faculty and staff professional development
  - Development of new programs
  - Comprehensive capital campaign finale
  - Trustee scholarships
- The entire plan will be placed on the web by the end of the week. Link will be sent to committee members at that time.

# June 30, 2017 Unrestricted Net Assets Summary

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- June 30, 2017 unrestricted net asset balance = \$55,224,220 (64% resides in the Educational and General fund and the remainder, 36%, resides in the Educational and General Plant fund).
- Use of Educational and General fund (non-plant) carryforward plans obtained from President/VPs/AVPs/Deans as part of fiscal year-end reporting process. Only included those initiatives that are for one-time initiatives/projects as determined by the Budget Office.
- FY 2017-18 Educational and General (non-plant) – Plan to spend down \$3,274,519 for various initiatives and \$2,204,236 to balance the projected E&G General Fund budget deficit.
- FY 2018-19 Educational and General (non-plant)-Plan to spend down \$1,203,435 for various initiatives. It is anticipated that a portion of unrestricted net assets will be needed to balance the E&G General Fund budget. Will not be known until tuition and state appropriation are set.
- Majority of Educational and General Plant fund balances are earmarked for projects and will be expended in accordance with capital project completion plans.
- Planned use of carryforward (unrestricted net assets) is subject to change pending the results of ongoing strategic enrollment management efforts, continued master plan implementation, and the ongoing evaluation of the financial sustainability of university programs and services.

# State-System Key Ongoing Challenges

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- Enrollment-new and continuing
- Increases in fixed personnel costs (salaries and benefits; hospitalization, retirement, etc.)
- Funding for facilities renewal
- Appropriation uncertainty
- Pressure to keep tuition rates as low as possible
- Vulnerability of unrestricted net asset balances as a result of the NCHEMS report and Board of Governors action to potentially forgive Cheyney University State System loans
- Unfunded liabilities for post-retirement health benefits and pensions

# Discussion

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