

June 30, 2018 E&G Unrestricted Net Assets

BUDGET SUBCOMMITTEE– OCTOBER 10, 2018

University Financial Health Assessment

- BOG Policy 2011-01-*University of 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- Policy rescinded by the Board of Governors January 22, 2015.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.

6/30/18 TOTAL E&G Unrestricted Net Assets*

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

6/30/18 URNA* System-Wide Perspective:

- Balances range from \$(22,983,050) to \$117,490,633
- Bloomsburg University has the 4th largest balance



Educational and General Fund Net Asset Balance Detail	
Technology Initiatives (Tech Fee Fund)	\$ 395,107
Academic/Student Affairs/SEM Initiatives (Academic Enhancement Fee Fund)	3,573,594
Sustainability Initiatives	215,977
Scholarships ¹	233,671
President/VP/Dean Residual Budget Carryforwards	2,007,824
Student Information System (MyHusky)	390,319
Other ²	2,079,093
Self-Supporting Operations ³	3,800,918
Reserve-Institutional	19,982,750
Reserve-Strategic Initiatives (New FY 2018)	410,509
Reserve-Utilities	153,358
Reserve-Miscellaneous	1,075,437
Outstanding Commitments (contractual)	1,257,913
Total Educational and General Fund Net Asset Balance-6/30/18	\$ 35,576,471

Educational and General Plant Fund Net Asset Balance Detail	
Maintenance and Repair	\$ 389,462
Waller Expansion	12,000,000
Nelson Fieldhouse Façade	1,079,231
Early Learning Center	459,188
Intersection Upgrade	265,000
Lightstreet Road Land Purchase	246,800
Lower Campus East Replacement Parking Lot	143,775
Pedestrian Bridge-Lightstreet Road	86,763
Campus Gateway	83,000
Sewer Upgrade	74,324
Electrical Distribution Project	32,186
Other	7,018
Contingency Reserve	2,472,865
Annual Renewal (Unallocated)	14,870
Outstanding Commitments (contractual)	1,673,539
Total Educational and General Plant Fund Net Asset Balance-6/30/18	\$ 19,028,021

Grand Total-Educational and General Net Asset Balance-6/30/18 **\$ 54,604,492**

¹ Includes PEPSI/Trustee, Verizon Retention, Integra College Grant, and Summer Prep Academy Funds.

² Includes Special Program funds (Indirect Cost, Financial Aid Administrative Allowance, COST FSA etc.) and the majority of E&G General Funds that carryforward to self (Office of Technology, Telecom Ctr, PBX and Voicemail, etc.).

³ Includes camps, conferences, Speech and Hearing Clinic, shuttle bus operation, etc.

Strategic Initiatives Reserve Fund

- Created at the end of FY 2018 by President Hanna in response to:
 - the underutilization of divisional carryforward plans in comparison to plans submitted
 - the underutilization of annual operating budgets
 - historic use of carryforward plans
- Funds will help ensure that the institution's planning processes, resources, and structures be aligned with strategic priorities as we fulfill the institution's mission and goals.
- Reserve is funded as follows:
 - Initial transfer of 15% of E&G General fund residual budget carryforward balances (\$203,245)
 - Annual transfer of 15% of remaining operating/capital E&G General departmental budgets (\$254,108)

Strategic Initiatives Reserve Balance

(as of 10/5/18)

=

\$457,353

Planned Use of June 30, 2018 Carryforward (Unrestricted Net Assets)-Educational and General Fund

- 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. **Cabinet reviews and approves/disapproves use of carryforward plans.**
- Divisions are instructed to include only those June 30, 2018 carryforward funds that are **planned to be spent** in FY 2018-19 and FY 2019-20. **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 (recruitment and retention initiatives, electronic form development, marketing materials, etc.)
 - Strategic planning initiatives
 - Capital projects (campus gateway, third floor Greenly building buildout)
 - Branding and web design
 - Equipment and furnishings
 - Curriculum initiatives
 - Student development initiatives
 - Promotion/launch of Innovation Center
 - Faculty research start up
 - Faculty and staff professional development
 - Program development and expansion
- 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, 2018 Unrestricted Net Assets Summary

- June 30, 2018 unrestricted net asset balance = \$54,604,492 (65% resides in the Educational and General fund and the remainder, 35%, 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. Included funding for all plans approved by Cabinet.
- FY 2018-19 Educational and General (non-plant) – Plan to spend down \$5,364,301 for various initiatives approved by Cabinet/balance E&G Special Program and Self-Supporting budgets and \$3,760,265 to balance the projected E&G General Fund budget deficit.
- FY 2019-20 Educational and General (non-plant)-Plan to spend down \$1,671,525 for various initiatives approved by Cabinet and \$394,434 to fund the cost of new positions for which there is no associated revenue source. 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.

Key Challenges

- Enrollment-new and continuing (**retention is a problem**)
- Increases in fixed personnel costs (salaries and benefits; hospitalization, retirement, etc.); unknowns associated with the expiration of the majority of collective bargaining agreements (all but SPFPA expire 6.30.19)
- Funding for facilities renewal
- Appropriation uncertainty
- Pressure to keep tuition rates as low as possible
- Inability to maintain/increase unrestricted net asset balances given current resource and cost structure
- Vulnerability of unrestricted net asset balances as a result of the NCHEMS report and Board of Governors action to forgive Cheyney University system loans
- Uncertainty associated with new System leadership and upcoming election (election)

Discussion
