

LUNCH -AND- LEARN

Fund Balances and Reserves

October 5, 2020

CSUDH

Agenda

- I. What Are Reserves?
- II. Campus Fund Balances (6/30/20)
- III. Projected 20-21 AADHT Fund Balance
- IV. Q&A



WHAT ARE RESERVES?



Fund Balances and Reserves

- **Positive Fund Balances (carryforward balances) are the result of revenues in excess of expenses**
 - These fund balances may be intentional (building a reserve for identified needs) or unintentional (vacant positions create net savings)
- Reserves are an intentional and planned use of fund balances
- Fund balances may be designated as **reserves** in certain areas to support nonrecurring expenses such as:
 - Manage short-term obligations and commitments
 - Provide funding for future capital projects, or repairs and maintenance
 - Ensure operating costs can be paid during times of budget uncertainty



What Can Reserves Be Used For?

- **Use of reserves are one-time in nature, and cannot be used to support on-going expenses**

Acceptable Uses of Reserves	Unacceptable Uses of Reserves
<ul style="list-style-type: none">• An unexpected deferred maintenance project such as a broken water line• A two month temporary cleaning contract• A lecturer (with end date)• An extra conference attendee	<ul style="list-style-type: none">• Annually recurring maintenance such as repainting buildings• A permanent employee such as a custodian• A tenure-track faculty• Annual memberships



- **Designated Balances and Reserves Policy**
 - This policy is designed to ensure campuses have sufficient designated balances to achieve three objectives:
 - 1) Sustain year-to-year consistency in all elements of the university's operations
 - 2) Build capacity for strategic program and capital investments
 - 3) Cover unanticipated expenditures and limit the negative impact of cyclical state recessions.
- The policy dictates that a campus should maintain reserves equal to three to six months of the annual Operating Budget
- For Dominguez Hills this would equal between **\$48M and \$96M** as a reserve goal for the Operating Fund (AADHT)



CAMPUS FUND BALANCES (6/30/20)



Operating Fund Balance and Designations

- The fund balance most often referenced on campus is the general operating fund, which is named AADHT
- Operating Fund is used to report revenues, expenses and net assets related to state-supported instruction, related programs, and operations, including Financial Aid
- Operating Fund revenues are comprised of student tuition and fees, and state appropriation
- The AADHT Fund Balance has accumulated from revenues in excess of expenses, often associated with salary savings from vacant positions



AADHT Fund Balance and Designations

- The ending fund balance for AADHT as of June 30, 2020 was \$17.1M
- The balance was designated as follows:

Encumbrances: \$2.2M

Outstanding Commitments: \$14.9M*

*Of the \$14.9M in Outstanding Commitments, \$4.6M is carryforward balances in the divisions.



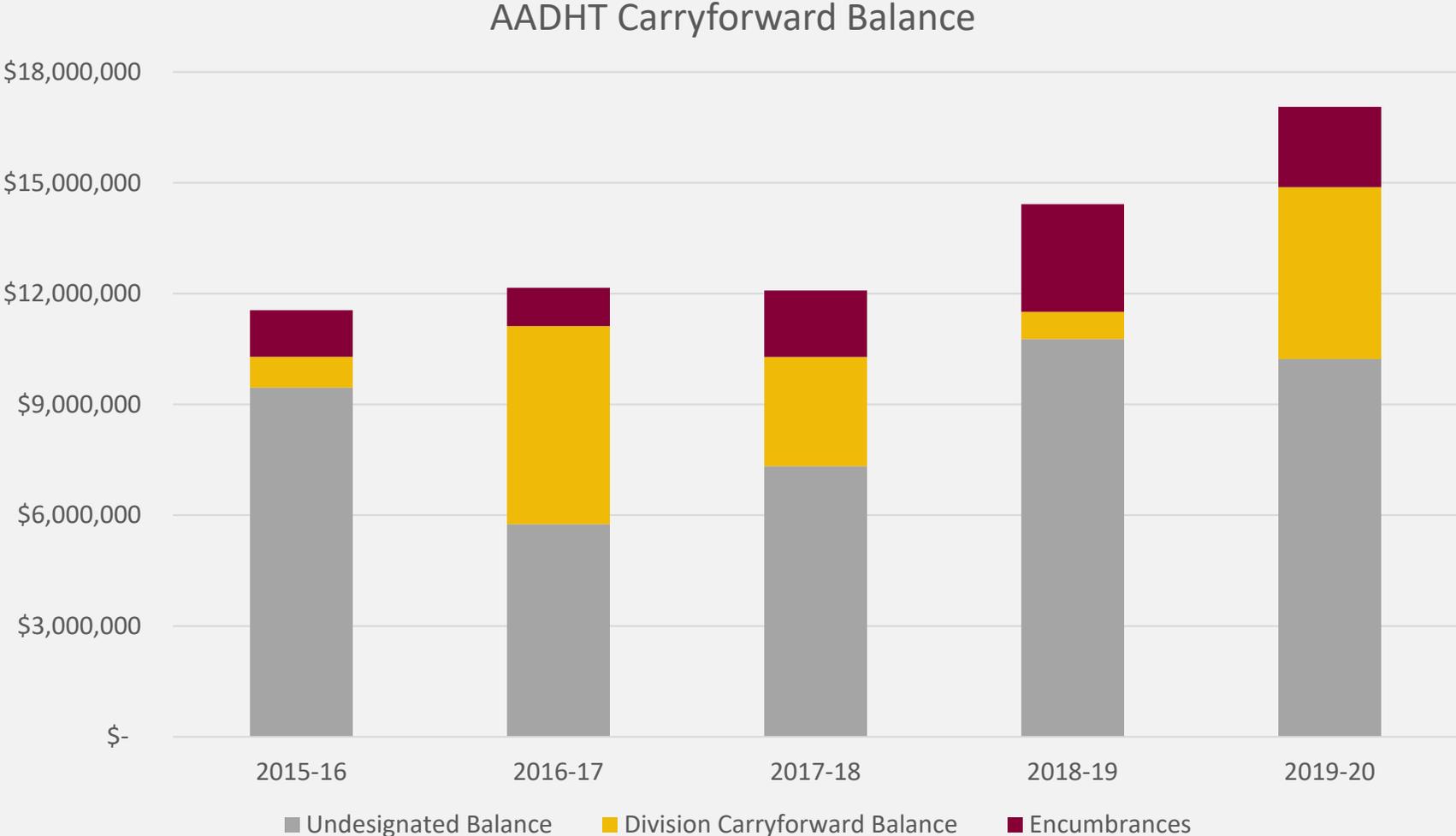
Planned Uses of Outstanding Commitments

- Planned uses of Outstanding Commitments designated balance (6/30/20)

Division Carryover	\$	4,664,490
Financial Aid	\$	1,118,796
Dymally Institute Carryforward	\$	1,200,000
Presidential Initiatives	\$	1,000,000
Campus Technology Refresh/IT Equipment Loan	\$	450,000
Science & Innovation Building Group II Equipment Loan	\$	1,800,000
Innovation & Instruction Building Contribution	\$	1,400,000
Academic Equipment Loan	\$	292,719
CalPERS Unfunded Pension Liability	\$	494,900
UA Feasibility Study (UBC/President Approved)	\$	200,000
Special Repairs/Deferred Maintenance	\$	491,000
Student Union Rental	\$	120,000
CCAA Membership Dues	\$	44,000
20-21 Budget Deficit Mitigation	\$	1,603,942
TOTAL	\$	14,879,847



Historical AADHT Fund Balance



Trust Fund Reserve Balances

- A Trust Fund is a discretionary fund which allows monies from a special project, group of activities, or services to be used for expenses which are supportive of the university's mission
- **Trust Fund balances are designated for specific purposes, and cannot be used outside of those activities**
- Ex: course fees may only be used to support courses; the fund balances cannot be used to offset the campus deficit
- Additionally, many of these funds have external requirements for how they may be used ex: scholarships, lottery funds



Trust Fund Balances (6/30/20)

Course/Misc. Fees	\$	936,053
Student Success Fee	\$	1,140,340
Lottery Funds	\$	610,295
Maintenance/Capital Funds	\$	4,160,887
Scholarship/Loans Funds	\$	1,597,977
Misc. Program Funds	\$	1,950,298
IRA	\$	193,432
TOTAL CAMPUS TRUST FUNDS	\$	10,589,281



Enterprise Fund Reserve Balances

- **Similar to Trust Fund balances, Enterprise Fund balances are designated for specific purposes, and cannot be used outside of those activities**
- Enterprise funds and Auxiliaries are self-supporting, and do not receive any funding from the general operating fund- for this reason it is imperative they maintain sufficient reserves to address potential issues that may arise
- Per Executive Order 994, Enterprise Funds should maintain reserves allocated to the following categories:
 - Major Maintenance and Repair/Capital Renovation and Upgrade
 - Working Capital
 - Capital Development for New Projects
 - Catastrophic Events



Enterprise Fund Reserve Balances (6/30/20)

Extended Education	\$	14,265,202
Parking	\$	8,569,324
Health Services & Facilities	\$	961,312
Housing	\$	5,196,762
Loker Student Union	\$	8,940,910
TOTAL CAMPUS ENTERPRISE FUNDS	\$	37,933,511



PROJECTED 20-21 AADHT FUND BALANCE



Projected AADHT Fund Balance

- Below is the *projected* AADHT Fund Balance at 6/30/21
 - This projection assumes year-long spending patterns are consistent with the first two months of actuals
 - Assumes enrollment from Fall to Spring will be consistent with prior years

Base Shortfall	\$ (8,422,196)
One-Time Shortfall	\$ (4,043,764)
<hr/>	
<i>Total Campus Shortfall</i>	<i>\$ (12,465,960)</i>
One-Time Tuition	\$ 10,900,000
One-Time Student Success Fee	\$ 675,000
<hr/>	
20-21 Projected Campus Net	\$ (890,960)



Q&A



LUNCH -AND- LEARN

CSU/DH Funding Timeline

November 2, 2020

CSUDH