

# TOWN HALL MEETING

**The presentation will begin promptly at 1:02 p.m.**

*Please mute your microphone and turn off your webcam to make it easier to locate the ASL interpreter. Thank you!*

**TOWN**  **HALL**  
**MEETING**

---

August 27, 2020

# Budget: Where Are We Now? Redux

---

Iris Ingram, Vice President, Administrative Services

# The “Big 3” of State Revenue

---

- Income Tax
- Sales Tax
- Property Tax

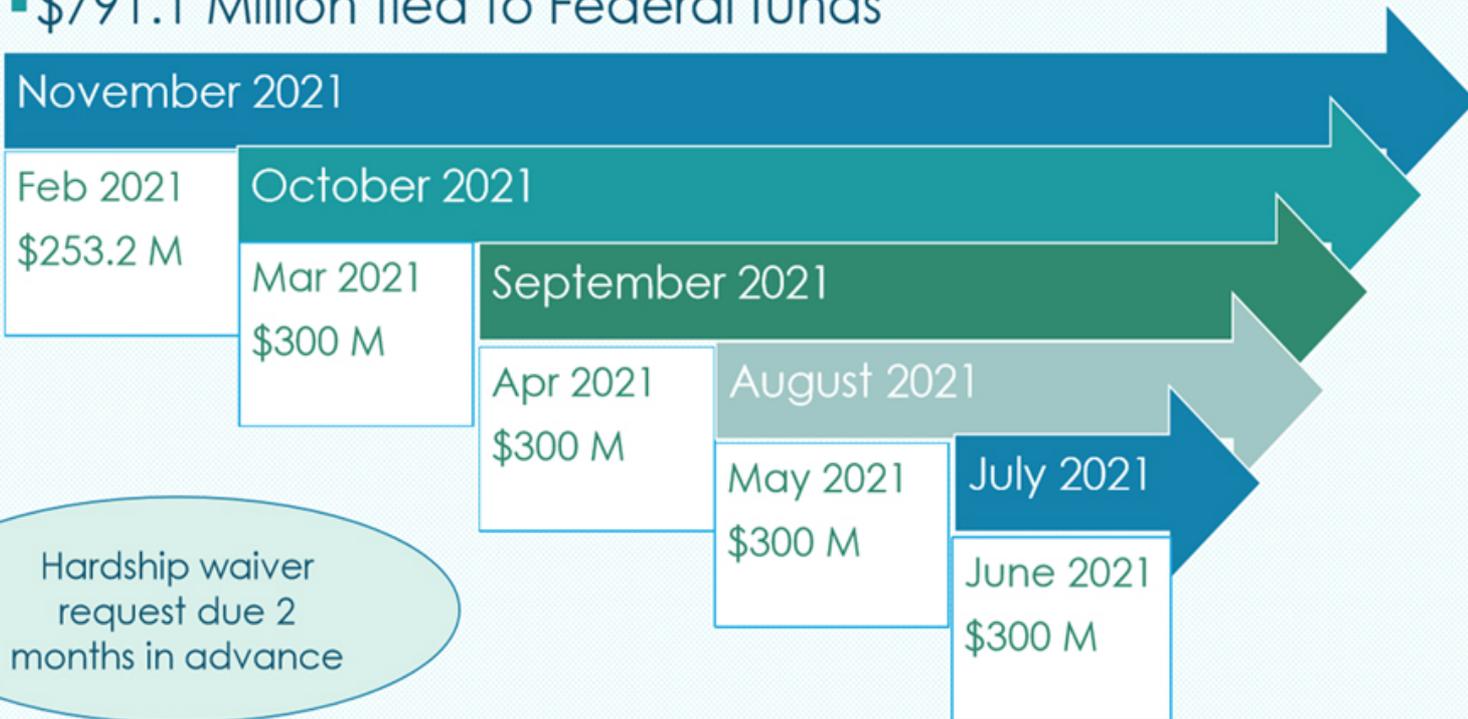
# What Has Happened Since January's Proposed Budget?

---

- State surplus of \$5.6B is now a \$54.5B deficit
- Budget reductions are now \$29M in deferrals to College income
- No COLA for at least next 2 years (FY 20-21, 21-22)
- Deferrals into fiscal years and 2021-22 and maybe beyond
  - No guarantee that State can repay deferrals next year (FY2021-22)
  - Increases the “budget gap” from \$14M to \$25M
  - Threat to college reserves and solvency (FY2021-22)

- Deferrals:

- \$1.453 Billion deferred from 2020-21 to 2021-22
  - \$791.1 Million tied to Federal funds



# What is the Difference Between Budget and Cash Flow?

---

## Budget (Reduction)

Income Statement

Revenue is reduced

**Example:** Employment contract pays you \$100K/Year in 12 equal installments; if your pay is *reduced* by 10%, your salary drops to \$90K/Year in 12 equal installments.

## Cash Flow (Deferral)

Balance Sheet

Cash delayed

**Example:** Employment contract pays you \$100K/Year in 12 equal installments, but *doesn't pay* you for 6 months.

**In which scenario are you better off?**

# Why Does it Matter?

---

- College Ending Balance available for Reserves is \$28-33M
- One month's cash is \$10 – 12M
- Law requires holding at least 5% or approx. \$7.2M in Reserve unencumbered
- Two months' cash plus 5% required reserve

$$(2 \times 12M) + 7.2M = \$31.2M$$

= Potential Insolvency

# Budget Projections 2020-21 through 2022-23\*\*

Total Available Funds for Each Year	2018-19	2019-20	2020-21	2021-22	2022-23**
Projected Beginning Fund Balance	\$ 24,359,407	\$ 28,476,320	\$ 28,828,863	\$ 14,040,227	\$ (2,929,932)
adj. to Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Adjusted Beginning Fund Balance</b>	<b>\$ 24,359,407</b>	<b>\$ 28,476,320</b>	<b>\$ 28,828,863</b>	<b>\$ 14,040,227</b>	<b>\$ (2,929,932)</b>
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Add: Revenues</b>	<b>\$ 138,596,829</b>	<b>\$ 142,397,126</b>	<b>\$ 130,370,769</b>	<b>\$ 130,817,528</b>	<b>\$ 125,529,982</b>
<b>Total Available Funds</b>	<b>\$ 162,956,236</b>	<b>\$ 170,873,446</b>	<b>\$ 159,199,632</b>	<b>\$ 144,857,755</b>	<b>\$ 122,600,050</b>
<b>Less: Total Expenditures</b>	<b>\$ 134,479,916</b>	<b>\$ 142,044,583</b>	<b>\$ 145,159,405</b>	<b>\$ 147,787,687</b>	<b>\$ 150,316,035</b>
<b>Projected Ending Fund Balance</b>	<b>\$ 28,476,320</b>	<b>\$ 28,828,863</b>	<b>\$ 14,040,227</b>	<b>\$ (2,929,932)</b>	<b>\$ (27,715,985)</b>
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Surplus / (Deficit)</b>	<b>\$ 4,116,913</b>	<b>\$ 352,543</b>	<b>\$ (14,788,636)</b>	<b>\$ (16,970,159)</b>	<b>\$ (24,786,053)</b>
<b>Actual Reserve Level <sup>1</sup></b>	-17%	-20%	-10%	-2%	-18%
<b>Board Required Reserve @ 5% <sup>3</sup></b>	<b>\$ 6,723,996</b>	<b>\$ 7,102,229</b>	<b>\$ 7,257,970</b>	<b>\$ 7,389,384</b>	<b>\$ 7,515,802</b>
<b>Amount above Board Required Reserve</b>	<b>\$ 21,752,324</b>	<b>\$ 21,726,634</b>	<b>\$ 6,782,257</b>	<b>\$ (10,319,316)</b>	<b>\$ (35,231,787)</b>

\*\* Hold Harmless extended to 2023-24 (January 2020 Gov Budget Revised Proposal)

# Final Budget Funds 11 & 12 – FY2020-21

FUND	General Fund Unrestricted - Fund 11	General Fund Restricted - Fund 12
<b>Beginning Balance</b>	<b>34,303,223</b>	<b>6,578,209</b>
<b><u>Revenue</u></b>		
<b>Federal</b>	41,162	3,509,722
<b>State</b>	80,942,690	21,782,781
<b>Local</b>	52,950,793	6,125,637
<b>Interfund Trasfers In</b>	3,077,686	1,530,000
<b>Total Revenue</b>	<b>137,012,332</b>	<b>32,948,140</b>
<b>Total Available Resources</b>	<b>171,315,554</b>	<b>39,526,349</b>
<b><u>Appropriations</u></b>		
<b>Academic Salaries</b>	58,224,666	2,173,801
<b>Classified Salaries</b>	30,446,940	6,815,172
<b>Staff Benefits</b>	35,771,280	5,441,281
<b>Supplies/Books</b>	1,702,590	11,709,160
<b>Other Operating Expenses</b>	10,164,025	5,364,604
<b>Capital Outlay</b>	1,633,175	1,699,041
<b>Transfers Out / Other Outgo</b>	3,182,271	252,574
<b>Total Appropriations</b>	<b>141,124,947</b>	<b>33,455,632</b>
<b>Board Required 5% Reserve</b>	<b>7,056,247</b>	
<b>Reserve For Contingencies</b>	<b>23,134,360</b>	<b>6,070,717</b>
<b>Legally Restricted Reserve</b>	-	-
<b>Committed Reserve</b>	-	-
<b>Unallocated / Uncommitted</b>	-	-
<b>Net Change to Fund Balance</b>	<b>(4,112,615)</b>	<b>(507,493)</b>
<b>Projected Ending Fund Balance</b>	<b>30,190,607</b>	<b>6,070,717</b>

## Cash Flow Projections – Multi Year

Total Available Funds for Each Year	2018-19	2019-20	2020-21	2021-22	2022-23**
Projected Beginning Fund Balance	\$ 24,359,407	\$ 28,476,320	\$ 28,828,863	\$ 14,040,227	\$ (2,929,932)
adj. to Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Adjusted Beginning Fund Balance</b>	<b>\$ 24,359,407</b>	<b>\$ 28,476,320</b>	<b>\$ 28,828,863</b>	<b>\$ 14,040,227</b>	<b>\$ (2,929,932)</b>
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Add: Revenues</b>	<b>\$ 138,596,829</b>	<b>\$ 142,397,126</b>	<b>\$ 130,370,769</b>	<b>\$ 130,817,528</b>	<b>\$ 125,529,982</b>
<b>Total Available Funds</b>	<b>\$ 162,956,236</b>	<b>\$ 170,873,446</b>	<b>\$ 159,199,632</b>	<b>\$ 144,857,755</b>	<b>\$ 122,600,050</b>
<b>Less: Total Expenditures</b>	<b>\$ 134,479,916</b>	<b>\$ 142,044,583</b>	<b>\$ 145,159,405</b>	<b>\$ 147,787,687</b>	<b>\$ 150,316,035</b>
<b>Projected Ending Fund Balance</b>	<b>\$ 28,476,320</b>	<b>\$ 28,828,863</b>	<b>\$ 14,040,227</b>	<b>\$ (2,929,932)</b>	<b>\$ (27,715,985)</b>
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Surplus / (Deficit)</b>	<b>\$ 4,116,913</b>	<b>\$ 352,543</b>	<b>\$ (14,788,636)</b>	<b>\$ (16,970,159)</b>	<b>\$ (24,786,053)</b>
<b>Actual Reserve Level <sup>1</sup></b>	<b>-17%</b>	<b>-20%</b>	<b>-10%</b>	<b>-2%</b>	<b>-18%</b>
<b>Board Required Reserve @ 5% <sup>3</sup></b>	<b>\$ 6,723,996</b>	<b>\$ 7,102,229</b>	<b>\$ 7,257,970</b>	<b>\$ 7,389,384</b>	<b>\$ 7,515,802</b>
<b>Amount above Board Required Reserve</b>	<b>\$ 21,752,324</b>	<b>\$ 21,726,634</b>	<b>\$ 6,782,257</b>	<b>\$ (10,319,316)</b>	<b>\$ (35,231,787)</b>

\*\* Hold Harmless extended to 2023-24 (January 2020 Gov Budget Revised Proposal)

## Identified FY2020-21 Budget Reductions (Recommendations from PBC)

<u>Recommendation</u>	<u>Potential Savings</u>
Management furloughs (8-days)	425,000
Reduce Temporary Non-Classified Staff	100,000
Hiring Freeze (incl. reduction to FON)	1,414,059
Reduction in Operating Expenses (30%)	4,950,000
Building Closures	650,000
Decrease in payments to STRS	557,394
Increase in payments to PERS	(298,076)
<b>TOTAL</b>	
	<b>\$ 7,798,367</b>

## Identified FY2020-21 Budget Reductions (Recommendations from PBC)

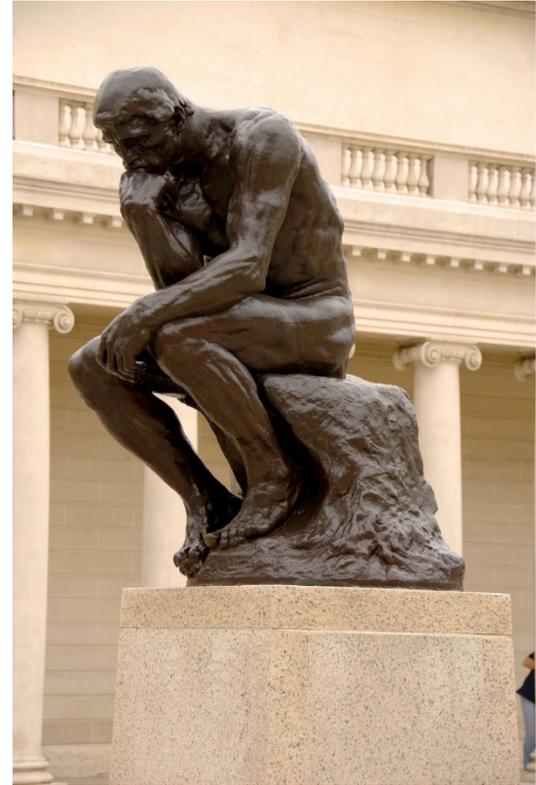
<u>Requires Collective Bargaining</u>	<u>Potential Savings</u>	
Faculty furloughs (8-day salary reduction)	1,950,000	
Classified furloughs (8-days)	1,100,000	
Freeze step/column movement (all)	1,900,000	
Raise Class Caps by 2 FTES on all qualifying sections (1,466 FTES max. @\$3,849/FTES)*	5,642,634	*Potential offset to expense
<b>Total Recommended Reductions</b>	<b>\$18,391,001</b>	

# Next Steps

---

- Board Budget Workshop
  - In-depth, page-by-page review of final budget and implications
  - Recommendation for adoption on September 8, 2020
- Potential updates to Final Budget
  - Mid-September federal budget action
    - Assistance from federal government
      - Keep current spending plan
      - Continue to find budget reductions to close \$14M gap
        - » Pursue reductions not yet implemented
    - No assistance from federal government
      - Continue to find budget reductions to close gap
      - Develop alternative liquidity strategies
      - Plan for larger budget reductions in FY 2021-22 and beyond

# Questions?



# TOWN HALL MEETING

---

August 27, 2020