



**NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**  
***H. Martin Lancaster, President***

February 13, 2002

**IMPORTANT  
RESPONSE REQUESTED  
DEADLINE: FEBRUARY 25, 2002**

**MEMORANDUM**

To: Business Officials

From: Philip Albano  
Director of Administrative &  
Facility Services

Subject: Bond Cash Flow Reassessment

It has been approximately one year since the State Board approved the bond cash flow model (model) and we must reassess the project timelines on the model. This reassessment is brought about by several factors. An analysis in January (attached "Expenditures") of the actual bond fund expenditures to the projected expenditures from the model shows that we have not spent \$28 million that was projected. This slippage concerns both the State Treasurer's Office and the Bond Oversight Committee. From the State Treasurer's aspect, the proceeds from the bond sales are required to be spent within a certain time period from when the bonds are sold, or the state is penalized. Because of this penalty or arbitrage issue, the State Treasurer requires more accurate projections than our model now portrays. The Bond Oversight Committee, as part of their charge, wants to ensure that the bond funds are spent as expeditiously as possible.

Another factor is that prior to developing our model, it was our understanding from the Treasurer's Office that the annual bond amounts authorized by the Bond Bill would be available to meet our needs based on a fiscal year basis (July 1 – June 30). We recently learned that the bonds will only be sold each March, rather than in September and March, thereby reducing the cost of the state's debt service. This means we must analyze our model based on a period from April 1 to March 31 to determine the availability of funds to meet our needs. Based on the current model's projections and the sale of \$58 million in March 2002, we would exhaust the \$106 million in bond funds in September 2002. Since we are already \$28 million behind in expenditures and many projects were slow in getting started, we may find we can handle this change in bond sales.

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These issues precipitate a need to revisit the model and the cash requirements. This is particularly true for any college that, on the attached expenditures analysis, has a negative number in the last column. Therefore, we are asking every college to review each of their projects on their cash flow model and make adjustments to reflect actual conditions. For example, if the project was to start in July 2001, and you did not select the designer until December 2001, you would change the "Design Start Date" to December 2001, and change the "Construction Start Date" and "Completion Date" respectively by adding five months to each date. This gives you the same amount of bond funds, but shows the distribution over the actual time period. During this review, you cannot change a project's starting date to an earlier date. This is consistent with the State Board's policy not to advance any projects until after "bond year three" (July 2004). Additionally, we potentially have a serious cash flow problem that can only be revealed by re-evaluating our model.

The Bond Oversight Committee and the State Board have raised questions as to why we are so far behind in our expenditures. In order to respond to these queries, we need you to provide us with a written explanation for us to share with them. Some reasons for the delay may be a change in the type of project; new project scope; holdups by the designer, the State Construction Office, the Department of Insurance, or your Board of Trustees; a lack of staff at the college; etc.

Attached you will also find a copy of your latest cash flow model Excel spreadsheet and detailed procedures on how to move the projects out to later months on the model. After you make the adjustments, please e-mail the revised spreadsheet and list of changes, along with the reasons for the delay to Mr. Ron Mason in our office no later than February 25, 2002.

**PLEASE READ THE ATTACHED INSTRUCTIONS BEFORE ATTEMPTING TO  
MAKE ADJUSTMENTS!**

PVA/rm

Attachments

c: Presidents  
Kennon Briggs

## INSTRUCTIONS FOR ADJUSTING THE CASH FLOW MODEL

1. Save the attached Cash Flow model Excel document to your files.
2. Then open the document as a copy and work in the copy. This will enable you to always refer or return to the original.
3. Open the tab on the bottom of the page labeled "cashflow."
4. You will make all of your changes on this worksheet. Changes made to this worksheet will automatically be carried to the other summary tables (worksheets) in this workbook.
5. Columns "H" through "L" are hidden. **DO NOT MAKE ANY CHANGES TO THESE COLUMNS!** We no longer utilize these columns, but there may be formulas attached to them.
6. Review **every** line (project or land purchase) to see if it is behind the projections shown on the model. Look at the dates in columns "S," "T," and "U" and/or the monthly expenditures in columns "X" through "CZ." We need to accurately reflect our needs, so please be honest. If the project is even a month behind, please make the change. **Any project that has a negative number in the last column on the attached "Expenditures" spreadsheet is a strong candidate to be changed.**
7. If a project or land purchase has not yet started and you expect it to start later than scheduled on the model, please make the change.

**TO MOVE A PROJECT OUT TO LATER MONTHS WHEN NO REQUESTS FOR REIMBURSEMENT HAVE BEEN MADE:**

8. You will only make changes to the three dates in columns "S," "T," and "U."
9. In many cases, there are formulas in these three cells. Disregard these formulas and key in the new dates by writing over the formula.
10. The date cells are formatted to enter the date as mm/dd/yyyy, so you can simply key in "m-d-yy" and it should be correctly formatted.
11. For example, if the designer selection process for the project was scheduled to start in July 2001, and you did not actually begin the designer selection process until December 2001, you would change column "S," the "Estimated Design Start Date," by adding five months. You would change 07/01/2001 to 12/01/2001 by keying 12/01/2001 in the formula bar. You have now added five months to the July date.
12. Next, you must add five months to column "T," the "Construction Start Date," by keying the mm/dd/yyyy in the formula bar.
13. Finally, you must add five months to column "U," the "Completion Date," by keying the mm/dd/yyyy in the formula bar.
14. After making these changes, the number of months in column "V," the "Design Time," and column "W," the "Const. Time," will be the same as when you started.
15. You have now moved this project out by five months.

**TO MOVE A PROJECT OUT TO LATER MONTHS WHEN A REQUEST FOR REIMBURSEMENT HAS BEEN MADE:**

16. If you have started a project, **have already made a request for reimbursement for that project**, and now need to delay that project, contact Ms. Dee Burns for assistance.

**TO MOVE A LAND PURCHASE OUT TO A LATER MONTH WITH NO OTHER CHANGES**

17. You will only need to make a change to the date in column "R," the "Land/Other Date," to show the new purchase date.
18. Follow the same basic process for changing a date outlined in 9, 10, & 11 above, and key in the new date.

**CHANGES TO THE FUNDING IN GENERAL:**

19. Remember:
- A. We are trying to show more accurate projections and avoid a possible shortfall of bond funds between October and April of 2002 – 2003 and also in subsequent years.
  - B. When the State Board approved the model on February 22, 2001, their policy was not to advance any projects until after "bond year three" (July 2004).
  - C. Thus, a college cannot change the model to project the utilization of more bond funds than what was approved by the State Board on an accumulative basis from the previous years. The tab on the bottom of the page of your college's Excel cash flow model labeled "cashflow comparison" contains a spreadsheet showing, for bond years two through six, columns labeled "Accum. Funds Req." **These are the accumulative amounts that were approved by the State Board, and are the amounts that you cannot exceed.**
  - D. **A college can change projects or funding, but the net effect must not negatively change the accumulative amounts in the model.**

**CHANGES TO THE FUNDING FOR A PROJECT:**

20. **In most cases**, to change the funding for a project, you will only need to make changes to the funding sources in column(s) "E," and/or "F," and/or "G." Formulas built into this model should automatically compute an estimated design fee and construction cost and change column "P," the "Design/Other Fees (Bond Funds)," and column "Q," the "Const Cost ( Bond Funds)." If columns "P" or "Q" do not change automatically or there is no formula in those columns, contact Ms. Dee Burns.

21. If you reduce the amount of funds in one line, you must add the same amount to another line in the same or later time frame. Conversely, if you increase the amount of funds in one line, you must reduce another line in the same or earlier time frame. For example, if Project A was listed on the model as a \$5,000,000 project that was scheduled to start in July 2002, and you have determined that you will only need \$ 4,000,000, you must place the other \$1,000,000 in another line. When doing this, the \$1,000,000 cannot begin to flow out any earlier than July 2002, and must not flow out faster so as to increase the accumulative amount approved by the State Board (see 19B & C above).
22. If the State Board has taken action to approve a project, you must obtain State Board approval again to amend the approval.

CHANGES TO THE FUNDING FOR A LAND PURCHASE:

23. If the amount of funds for a land purchase changes, you will need to make changes to the funds in column "O," the "Land/Other (Bond Funds)," to show the correct price. Since land can only be purchased with new construction funds, you must also adjust column "E," the "New Construction Funds," accordingly. If you reduce the funds in the "Land/Other" column, you must add these funds to another line in the same or later time frame. Conversely, if you increase the funds in the "Land/Other" column, you must deduct these funds from another line in the same or earlier time frame (see 21 above).

FINALLY, ON A SEPARATE PIECE OF PAPER, PLEASE TELL US (LIST):

- WHICH LINES YOU CHANGED
- WHAT COLUMNS WERE CHANGED
- IF YOU HAVE ALREADY REQUESTED ANY STATE BOND FUNDS FOR A PROJECT IN WHICH YOU ARE MAKING ANY CHANGES

After you make the adjustments, please e-mail the revised spreadsheet and list of changes, along with the reasons for the delay, to Mr. Ron Mason in our office no later than **February 25, 2002**.

For assistance, please contact Ms. Lola Morrison, Ms. Dee Burns or Mr. Ron Mason.

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