

FY2017 Q2 Operating Management Report

BACKGROUND

Oregon State University's Fiscal Year 2017 (FY) Second Quarter (Q2) Operating Management Report presents the first six months of operating results for the three operating fund groups: Education and General, Self-Support, and Restricted funds. The quarterly management report is a summary-level report that compares:

- Year-to-date actual activity relative to the projected total for the year to the same relationship in prior years, or to expected current year totals to provide early warning of unexpected operating trends; and
- The current quarter projection for the year to the prior quarter's projection to highlight changes in expected annual results.

The percentage of year-to-date actual revenue and expenditures as compared to the total projected annual amounts is calculated to provide the Board and management with an early warning regarding unanticipated operating trends in the major categories. This percentage is called the *realization rate* for revenues and the *burn rate* for expenditures. The next step is to compare the current year realization/burn rate to the seven-year average of prior years' actual rates. The seven-year average is used to smooth out one-time operating changes. This method has proven to be very successful in identifying when the current year actual results are not tracking as expected, allowing management to make any necessary budgetary changes to address unanticipated results.

The low standard deviation of the actual year-to-date results for each quarter over the past seven years provides support for the predictive value of the data. The standard deviation, coupled with the materiality of the amounts, provides the basis for OSU's established tolerance ranges, within which the actual results should track. If the actual year-to-date amounts fall outside the established tolerances, the data is flagged for further analysis.

This approach is applied with the following tolerances of plus or minus:

Tuition & Resource Fees, net of waivers	2%
Enrollment Fees	2%
Sales & Services	5%
Other revenue	7%
Federal restricted	5%
State restricted	7%
Other restricted	6%
Personnel Services	2%
Supplies & Services & Capital Outlay	5%

To provide similar precision to the other categories in the report for which actual results do not track similarly from year to year, the anticipated current year results provide similar predictive value to the report. For these categories, we have established tolerance ranges based upon materiality. This approach is applied with the following tolerances of plus or minus:

State General Fund	2%
Transfers	10%

Accountability for material changes made to the year-end projected amounts for any report category is provided by highlighting those changes that are greater than 1%, plus or minus, of total operating revenues for further analysis and reporting to the committee.

The breakdown and discussion of the variances in the FY2017 Q2 report for each major operating fund type is as follows:

EDUCATION AND GENERAL

For the fiscal year, the Education and General Fund revenues are projected to total \$614.1M and expenditures are expected to total \$610.7M. Transfers in and transfers out are projected to be \$1.1M and \$10.6M, respectively. Unrestricted net assets are projected to decrease by \$6.1M to total \$73.9M at year's end.

For the Education and General fund, the following item is of note:

Transfers In

The realization rate (at 47%) is higher than budgeted due primarily to the closing of plant funds totaling \$0.2M that were not included in previous projections. This was offset by a reduction of projected royalty transfers of \$0.3M.

The Ending Unrestricted Net Assets balance is projected to be 12.0% of total operating revenues, which is within the Board's established range of 10% to 20% of total operating revenues.

SELF-SUPPORT

For the fiscal year, the Self-Support Fund revenues are projected to total \$226.2M and expenditures are expected to total \$224.3M. Transfers in and transfers out are projected to be \$6.5M and \$7.5M, respectively. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$8.8M. Unrestricted net assets are projected to decrease by \$7.9M to total \$36.3M at year's end.

For Self-Support funds, the following items are of note:

Personnel Services

The burn rate for personnel services (at 46%) is below the 7-year average, primarily due to some positions having a later hire date than anticipated and other positions remaining unfilled, with work being performed by existing staff.

Transfers Out

The burn rate of 77% for transfers out is higher than anticipated due to plant fund transfers for housing and dining and student center projects where spending occurred faster than originally projected.

The ending Unrestricted Net Assets balance is projected to be 16.1% of total operating revenues.

RESTRICTED

For the fiscal year, the Restricted Fund revenues are projected to total \$335.8M and expenditures are projected to total \$336.0M. Transfers in and transfers out are projected to be \$0.7M and \$0.5M, respectively. Restricted net assets are projected to remain relatively flat, to total \$10.6M at year's end.

For Restricted funds, the following item is of note:

Transfers In

The realization rate for transfers in, at 18%, is higher than anticipated due to earlier than planned transfer of support for usage of the research vessel Oceanus.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee accept the FY2017 Second Quarter Operating Management Report at its March 16 meeting.

Quarterly Operating Management Report

For the Fiscal Year Ended June 30, 2017

(Unaudited, for management purposes only)

(in thousands except enrollment)

EDUCATION & GENERAL

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2016 Prior Yr. Actual	D	Adjusted Budget 6/30/2017	E Projected Variance from Budget	F YE Projected 6/30/2017	G Chg from prior qtr. projection	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %		Budget					
State General Fund	\$106,929	60%	60%	\$170,935	\$178,187	\$178,390	\$203	178,390	\$0	
Tuition & Resource Fees, net of Waivers	240,019	69%	68%	336,708	352,635	352,307	(5,065)	347,570	(4,737)	
Other	31,205	35%	39%	89,400	87,504	86,647	649	88,153	1,506	
Total Revenues	378,153			597,043	618,326	617,344	(4,213)	614,113	(3,231)	
Personnel Services	(217,794)	46%	46%	(444,854)	(474,633)	(472,194)	(569)	(475,202)	(3,008)	
Supplies & Services & Capital Outlay	(58,079)	43%	47%	(118,554)	(129,220)	(135,139)	(6,302)	(135,522)	(383)	
Total Expenditures	(275,873)			(563,408)	(603,853)	(607,333)	(6,871)	(610,724)	(3,391)	
Net from Operations	102,280			33,635	14,473	10,011	(11,084)	3,389	(6,622)	
Transfers In	511	47%	32%	4,198	1,160	1,148	(67)	1,093	(55)	(1)
Transfers Out	(7,098)	67%	74%	(11,778)	(7,718)	(9,104)	(2,888)	(10,606)	(1,502)	
Fund Additions/(Deductions)	0			0	0	0	0	0	0	
Change in Unrestricted Net Assets	95,693			26,055	7,915	2,055	(14,039)	(6,124)	(8,179)	
Beginning Unrestricted Net Assets	80,009			53,954	80,009	80,009	0	80,009	0	
Ending Unrestricted Net Assets	\$175,702			\$80,009	\$87,924	\$82,064	(\$14,039)	\$73,885	(\$8,179)	
% Operating Revenues				13.4%	14.2%	13.3%		12.0%		
Student FTE Enrollment-YTD Summer term only	11,183	42%	40%	27,022	26,717	26,717	0	26,717	0	

(1) The realization rate is higher than budgeted due primarily to closing of plant funds of \$176,000 that were previously not projected. The reason the year end projection does not reflect this increase is due mainly to royalty transfers having been decreased by \$251,000.

Oregon State University
Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of December 31, 2016
For the Fiscal Year Ended June 30, 2017

(in thousands)

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2016	D	Adjusted	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Budget 6/30/2017	Projected Variance from Budget	YE Projected 6/30/2017	Chg from prior qtr. projection	
Enrollment Fees	\$24,348	65%	66%	\$35,865	\$37,763	\$37,763	(\$39)	37,724	(\$39)	
Sales & Services	67,216	44%	40%	142,538	149,437	152,834	3,873	153,310	476	
Other	15,391	44%	44%	36,191	32,970	34,822	2,229	35,199	377	
Total Revenues	106,955			214,594	220,170	225,419	6,063	226,233	814	
Personnel Services	(50,847)	46%	49%	(99,973)	(111,696)	(111,145)	1,540	(110,156)	989	(2)
Supplies & Services & Capital Outlay	(53,774)	47%	49%	(109,286)	(111,904)	(112,233)	(2,262)	(114,166)	(1,933)	
Total Expenditures	(104,621)			(209,259)	(223,600)	(223,378)	(722)	(224,322)	(944)	
Net from Operations	2,334			5,335	(3,430)	2,041	5,341	1,911	(130)	
Transfers In	5,078	78%	73%	7,826	6,418	6,534	131	6,549	15	
Transfers Out	(5,797)	77%	54%	(16,660)	(4,545)	(7,205)	(2,987)	(7,532)	(327)	(3)
Additions/(Deductions) to Unrestricted Net Assets	(1,927)			(13,265)	(8,198)	(8,379)	(593)	(8,791)	(412)	
Change in Unrestricted Net Assets	(312)			(16,764)	(9,755)	(7,009)	1,892	(7,863)	(854)	
Beginning Unrestricted Net Assets	44,206			60,970	44,206	44,206	0	44,206	0	
Ending Unrestricted Net Assets	\$43,894			\$44,206	\$34,451	\$37,197	\$1,892	\$36,343	(\$854)	
% of Operating Revenues				20.6%	15.6%	16.5%		16.1%		
Total Unrestricted Net Assets				124,215	\$122,375	\$119,261		\$112,459		
Days of Expenditures in Total Unrestricted Funds				42	54	52		49		

(2) The burn rate is lower than the 7-year average due primarily to positions having a later hire date than anticipated and positions not filled with work being performed by existing staff.

(3) The burn rate is higher than anticipated due to plant fund transfers for housing and dining and student center projects where spending occurred faster than originally projected.

Oregon State University
Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of December 31, 2016
For the Fiscal Year Ended June 30, 2017

(in thousands)

RESTRICTED

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2016	D	Adjusted	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Budget 6/30/2017	Projected Variance from Budget	YE Projected 6/30/2017	Chg from prior qtr. projection	
Federal	\$105,906	48%	51%	\$216,171	\$220,416	\$222,936	\$2,243	222,659	(\$277)	
State	10,011	49%	45%	17,282	15,000	17,967	5,552	20,552	\$2,585	
Other	41,829	45%	41%	86,985	98,890	95,661	(6,305)	92,585	(\$3,076)	
Total Revenues	157,746			320,438	334,306	336,564	1,490	335,796	(768)	
Personnel Services	(65,936)	50%	50%	(125,996)	(129,376)	(131,412)	(2,388)	(131,764)	(\$352)	
Supplies & Services & Capital Outlay	(104,947)	51%	51%	(192,393)	(204,595)	(204,880)	374	(204,221)	\$659	
Total Expenditures	(170,883)			(318,389)	(333,971)	(336,292)	(2,014)	(335,985)	307	
Net from Operations	(13,137)			2,049	335	272	(524)	(189)	(461)	
Transfers In	120	18%	0%	0	0	650	650	650	\$0	(4)
Transfers Out	(192)	43%	50%	(3,780)	(115)	(116)	(336)	(451)	(\$335)	
Additions/(Deductions) to Restricted Net Assets	0			(19)	0	0	0	0	\$0	
Change in Restricted Net Assets	(13,209)			(1,750)	220	806	(210)	10	(796)	
Beginning Restricted Net Assets	10,548			12,298	10,548	10,548	0	10,548	0	
Ending Restricted Net Assets	(\$2,661)			\$10,548	\$10,768	\$11,354	(\$210)	\$10,558	(\$796)	
% of Operating Revenues				3.3%	3.2%	3.4%		3.1%		

(4) The realization rate for transfers in is higher than originally anticipated due to earlier support for usage of the research vessel Oceanus.

OREGON STATE UNIVERSITY
Transfers schedule
(in \$000's)

As of December 31, 2016
For the Fiscal Year Ended June 30, 2017

			Self-Support							
	E&G		Auxiliary		Designated Operations & Service Departments		Plant fund		Restricted	Total
Transfers In - E&G	-	\$	156	\$	625 (e)	\$	176	\$	136	\$ 1,093
Transfers Out - E&G	-		4,016 (a)		1,214 (b)		4,726 (c)		650	10,606
Transfers In - Auxiliary	\$ 4,016 (a)		-		-		1,319 (d)		-	5,335
Transfers Out - Auxiliary	156		-		-		6,751 (c)		-	6,907
Transfers In - Designated Operations & Service Departments	1,214 (b)		-		-		-		-	1,214
Transfers Out - Designated Operations & Service Departments	625 (e)		-		-		-		-	625
Transfers In - Restricted	650		-		-		-		-	650
Transfers Out - Restricted	136		-		-		315		-	451

(a) mainly support for athletics \$4M

(b) subsidies from E&G for supporting Designated Operations and Service Departments

(c) transfers to plant fund for remodels and space renovations

(d) closing out plant funds

(e) mainly transfer of royalties to E&G - \$425K

Main changes since prior quarter

Additional transfers to plant funds: E&G-\$1.5M Vet Med expansion, Student Centers-\$0.3M, and Athletics-\$0.2M