

## FY2022 Q3 OSU Operating Management Report

### BACKGROUND

Oregon State University’s fiscal year (FY) 2022 third quarter (Q3, January 1– March 31, 2022) Operating Management Report presents the first nine months of operating results for the three operating fund groups: Education and General, Self-Support, and Restricted funds. Detailed reports can be found in Attachment 1.

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; and
- The current quarter projection for year end to the 2<sup>nd</sup> quarter projection to highlight changes in expected results.

The percentage of year-to-date actual revenue and expenditures as compared to the total projected annual amounts is calculated to help ensure that the Board and management have 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 current year realization/burn rate is compared 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 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 State General Fund category 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. We have established a tolerance range based upon materiality. This approach is applied with the following tolerances of plus or minus:

State General Fund	2%
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Additionally, material changes made to the year-end projection as compared to the previous quarterly report is provided by highlighting those fluctuations greater than 1% of total operating revenues for further analysis and reporting to the committee.

Transfer variances are tracked quarterly and are generally explained at Q4 because of the frequency of schedule changes for major transfers. Material variances in transfers that are decision-related are explained within each quarterly report.

The breakdown and discussion of the variances in the FY2022 Q3 report for each major operating fund type are as follows:

**EDUCATION AND GENERAL**

Education and General Fund (E&G) revenues are projected to total \$767.6M, expenditures are expected to total \$755.0M, and transfers in and transfers out are projected to be \$32.0M and \$27.6M, respectively. The transfers schedule in Attachment 1 provides details about how net transfers impacts the change to unrestricted net assets. Unrestricted net assets are projected to increase by \$17.0M to total \$191.1M at year’s end

For E&G funds, the following items are of note:

**Transfers In**

The \$22.0M positive variance from prior quarter’s projection is primarily due to the Higher Education Emergency Relief Fund (HEERF III) funding.

**Transfers Out**

The \$11.2M negative variance from prior quarter’s projection is primarily due to the HEERF III funding to self-support.

The ending Unrestricted Net Assets balance is projected to be 24.9% of total operating revenues, which is above the Board’s established range of 10% to 20% of total operating revenues. FY2021 ended higher than expected due to unspent Outdoor School funds (about \$30M) and from units anticipating a return to pre-pandemic levels that had not yet occurred. Additionally, it was decided to fund capital improvement and renewal projects through internal bank loans to help preserve operational cash flow.

**SELF-SUPPORT**

Self-Support Fund revenues are projected to total \$242.4M, expenditures are expected to total \$240.7M, and transfers in and transfers out are projected to be \$18.8M and \$15.8M, respectively. The transfers schedule in Attachment 1 provides details about how this impacts the change to unrestricted net assets. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$11.9M. Unrestricted net assets are projected to decrease by \$7.2M to a total of \$4.5M at year’s

end. This is a \$21.1M improvement from the \$16.6M budgeted deficit for unrestricted net assets presented to the Board at its May 2021 meeting.

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

**Sales & Services**

The \$2.5M positive variance from the prior quarter's projection is primarily due to Student Health anticipating \$1.2M from resumed medical services that were discontinued during COVID, and University Housing & Dining Services (UHDS) projecting \$1.1M in additional revenues from better-than-anticipated occupancy and retention.

**Personnel Services**

The \$2.7M positive variance from the prior quarter's projection is primarily due to hiring challenges and vacancies of \$2M in UHDS, about \$500,000 in Student Centers, about \$500,000 in Student Health, and about \$400,000 in Athletics offset by about a \$500,000 increase in personnel for INTO due to more teaching hours.

The burn rate is lower than the seven-year historical average due to hiring challenges and vacancies through the third quarter.

**Supplies & Services & Capital Outlay**

The burn rate is lower than the seven-year historical average due to supply chain challenges for Athletics. Additionally, UHDS is anticipating inflationary increases in food and utilities costs as well as replacing furniture in residence halls in the fourth quarter.

**Transfers In**

The \$8.9M positive variance from the prior quarter's projection is primarily due to \$8.2M in HEERF III funds from E&G.

**Transfers Out**

The \$3.6M negative variance from the prior quarter's projection is primarily due to UHDS transferring out \$3.6M for capital renewal projects.

The ending Unrestricted Net Assets balance is projected to be 1.9% of total operating revenues.

**RESTRICTED**

Restricted Fund revenues are projected to total \$466.5M, expenditures are expected to total \$434.0M, and transfers in and transfers out are projected to be \$0.1M and \$32.1M, respectively. Restricted net assets are projected to increase by about \$500,000, to total \$6.2M at year's end.

For Restricted funds, the following items are of note:

**Federal**

The \$21.0M positive variance from the prior quarter's projection is due primarily to HEERF III funding.

**Transfers Out**

The \$29.9M negative variance from the prior quarter's projection is primarily due to HEERF III funding transfer to E&G and \$9.6M PacWave to plant fund.

**RECOMMENDATION**

Staff recommend that the Finance and Administration Committee accept the FY2022 Q3 Operating Management Report.

**Oregon State University  
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of March 31, 2022  
For the Fiscal Year Ended June 30, 2022**

(in thousands except enrollment)

**EDUCATION & GENERAL**

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2021 Prior Yr. Actual	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %		Budget	YE Projected 6/30/2022	Chg from prior qtr. projection	
State General Fund	\$216,478	83%	84%	\$247,675	\$245,851	\$260,037	\$0	
Tuition & Resource Fees, net of Waivers	397,773	99%	99%	389,707	415,446	400,837	(522)	
Other	70,011	66%	62%	110,494	107,748	106,686	106	
<b>Total Revenues</b>	684,262			747,876	769,045	767,560	(416)	
Personnel Services	(425,320)	74%	74%	(552,317)	(578,571)	(577,578)	1,193	
Supplies & Services & Capital Outlay	(114,904)	65%	68%	(140,734)	(181,660)	(177,379)	1,005	
<b>Total Expenditures</b>	(540,224)			(693,051)	(760,231)	(754,957)	2,198	
<b>Net from Operations</b>	144,038			54,825	8,814	12,603	1,782	
Transfers In	8,696			27,270	3,214	31,977	21,989	(1)
Transfers Out	(16,232)			(16,484)	(14,216)	(27,614)	(11,193)	(2)
Fund Additions/(Deductions)	0			0	0	0	0	
<b>Change in Unrestricted Net Assets</b>	136,502			65,611	(2,188)	16,966	12,578	
<b>Beginning Unrestricted Net Assets</b>	174,183			108,572	174,183	174,183	0	
<b>Ending Unrestricted Net Assets</b>	\$310,685			\$174,183	\$171,995	\$191,149	\$12,578	
% Operating Revenues				23.3%	22.4%	24.9%		
Student FTE Enrollment-YTD Summer Fall and Winter	20,432	71%	71%	28,355	28,780	28,780	0	

(1) The \$22.0M positive variance from the prior quarter's projection is primarily due to the Higher Education Emergency Relief Fund (HEERF III) funding.

(2) The \$11.2M negative variance from the prior quarter's projection is primarily due to the HEERF III funding to self-support.

**Oregon State University**  
**Quarterly Operating Management Report**  
(Unaudited, for management purposes only)

**As of March 31, 2022**  
**For the Fiscal Year Ended June 30, 2022**

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2021	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	YE Projected 6/30/2022	Chg from prior qtr. projection	
(in thousands)								
<b>SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments</b>								
Enrollment Fees	\$42,957	99%	97%	\$41,503	\$41,703	\$43,391	\$32	
Sales & Services	99,031	62%	64%	84,982	147,321	158,646	2,502	(3)
Other	28,020	69%	69%	34,548	38,290	40,400	1,262	
<b>Total Revenues</b>	170,008			161,033	227,314	242,437	3,796	
Personnel Services	(84,484)	71%	74%	(103,660)	(122,402)	(118,544)	2,655	(4)
Supplies & Services & Capital Outlay	(83,907)	69%	75%	(91,074)	(122,982)	(122,196)	723	(5)
<b>Total Expenditures</b>	(168,391)			(194,734)	(245,384)	(240,740)	3,378	
<b>Net from Operations</b>	1,617			(33,701)	(18,070)	1,697	7,174	
Transfers In	174			39,507	9,085	18,788	8,927	(6)
Transfers Out	(4,057)			(5,529)	(7,094)	(15,798)	(3,592)	(7)
Additions/(Deductions) to Unrestricted Net Assets	186			(8,209)	(12,274)	(11,864)	63	
<b>Change in Unrestricted Net Assets</b>	(2,080)			(7,932)	(28,353)	(7,177)	12,572	
<b>Beginning Unrestricted Net Assets</b>	11,725			19,658	11,725	11,725	0	
<b>Ending Unrestricted Net Assets</b>	\$9,646			\$11,725	(\$16,628)	\$4,548	\$12,572	
% of Operating Revenues				7.3%	-7.3%	1.9%		
<b>Total Unrestricted Net Assets</b>					\$155,367	\$195,697		
<b>Days of Expenditures in Total Unrestricted Funds</b>					56	72		

- (3) The \$2.5M positive variance from the prior quarter's projection is primarily due to Student Health anticipating \$1.2M from resumed medical services that were discontinued during COVID and University Housing & Dining Services (UHDS) projecting \$1.1M in additional revenues from better-than-anticipated occupancy and retention.
- (4) The \$2.7M positive variance from the prior quarter's projection is primarily due to hiring challenges and vacancies of \$2M in UHDS, about \$500,000 in Student Centers, about \$500,000 in Student Health, about \$400,000 in Athletics offset by about a \$500,000 increase in personnel for INTO due to more teaching hours. The burn rate is lower than the seven-year historical average due to hiring challenges and vacancies through the third quarter.
- (5) The burn rate is lower than the seven-year historical average due to supply chain challenges for Athletics. Additionally, UHDS is anticipating inflationary increases in food and utilities costs as well as replacing furniture in residence halls in the fourth quarter.
- (6) The \$8.9M positive variance from the prior quarter's projection is primarily due to \$8.2M in HEERF III funds from E&G.
- (7) The \$3.6M negative variance from the prior quarter's projection is primarily due to UHDS transferring out \$3.6M for capital renewal projects.

May 26-27, 2022 Board of Trustees

**Oregon State University**  
**Quarterly Operating Management Report**  
(Unaudited, for management purposes only)

**As of March 31, 2022**  
**For the Fiscal Year Ended June 30, 2022**

(in thousands)

**RESTRICTED FUNDS**

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2021 Prior Yr. Actual	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %		Budget	YE Projected 6/30/2022	Chg from prior qtr. projection	
Federal	\$236,796	69%	73%	\$313,306	\$324,500	\$341,000	\$21,000	(8)
State	21,505	72%	76%	23,890	22,890	30,000	0	
Other	67,650	71%	71%	90,173	100,528	95,500	0	
<b>Total Revenues</b>	325,951			427,369	447,918	466,500	21,000	
Personnel Services	(111,978)	73%	73%	(145,842)	(148,006)	(154,000)	0	
Supplies & Services & Capital Outlay	(201,881)	72%	76%	(260,602)	(292,320)	(280,000)	3,000	
<b>Total Expenditures</b>	(313,859)			(406,444)	(440,326)	(434,000)	3,000	
<b>Net from Operations</b>	12,092			20,925	7,592	32,500	24,000	
Transfers In	17			3	14	70	0	
Transfers Out	(11,088)			(28,287)	(3,500)	(32,105)	(29,928)	(9)
Additions/(Deductions) to Restricted Net Assets	(0)			0	0	0	0	
<b>Change in Restricted Net Assets</b>	1,021			(7,359)	4,106	465	(5,928)	
<b>Beginning Restricted Net Assets</b>	5,724			13,083	5,724	5,724	0	
<b>Ending Restricted Net Assets</b>	\$6,745			\$5,724	\$9,830	\$6,189	(\$5,928)	
% of Operating Revenues				1.3%	2.2%	1.3%		

(8) The \$21.0M positive variance from the prior quarter's projection is due primarily to HEERF III funding.

(9) The \$29.9M negative variance from the prior quarter's projection is primarily due to HEERF III funding transfer to E&G and \$9.6M PacWave to plant fund.

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

**As of March 31, 2022**  
**For the Fiscal Year Ended June 30, 2022**

	E&G	Self-Support			Plant fund	Restricted	Other	Total
		Auxiliary	Designated Operations & Service Departments					
Transfers In - E&G		\$819	\$3,007 (d)	\$5,699	\$22,452 (e)		\$ 31,977	
Transfers Out - E&G		16,768 (a)	1,748 (b)	9,028 (c)	70		27,614	
Transfers In - Auxiliary	\$16,768 (a)			111	119		16,998	
Transfers Out - Auxiliary	819			11,083 (c)			11,902	
Transfers In - Designated Operations & Service Departments	1,748 (b)			42			1,790	
Transfers Out - Designated Operations & Service Departments	3,007 (d)			889 (c)			3,896	
Transfers In - Restricted	70						70	
Transfers Out - Restricted	22,452 (e)	119		9,534 (c)			32,105	

- (a) \$8.2M support for athletics and \$8.2M from HEERF III
- (b) subsidies from E&G for supporting Designated Operations and Service Departments
- (c) transfers to plant fund for remodels and space renovations
- (d) mainly transfer of royalties to E&G
- (e) mainly HEERF III