

## FY2023 Q1 OSU Operating Management Report

### BACKGROUND

Oregon State University's fiscal year (FY) 2023 first quarter (Q1, July 1–September 30, 2022) Operating Management Report presents the first three 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 budget presented in the May 2022 board meeting.

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%
--------------------	----

Additionally, accountability for 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 FY2023 Q1 report for each major operating fund type are as follows:

**EDUCATION AND GENERAL**

Education and General Fund (E&G) revenues are projected to total \$826.5M, expenditures are expected to total \$804.5M, and transfers in and transfers out are projected to be \$5.9M and \$18.4M, respectively. The transfers schedule in Attachment 1 provides details about how this impacts the change to unrestricted net assets. Unrestricted net assets are projected to increase by \$9.5M to total \$196.8M at year’s end.

For E&G funds, the following item is of note:

**Tuition & Resource Fees, net of Waivers**

The \$18.7M positive variance from budget for the first quarter projection is primarily due to higher than anticipated non-resident and Ecampus enrollment net revenue growth totaling \$17.1M.

The ending Unrestricted Net Assets balance is projected to be 23.8% of total operating revenues, which is above the Board’s established range of 10% to 20% of total operating revenues.

**SELF-SUPPORT**

Self-Support Fund revenues are projected to total \$261.2M, expenditures are expected to total \$257.8M, and transfers in and transfers out are projected to be \$9.9M and \$18.9M, 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 \$16.0M. Unrestricted net assets are projected to decrease by \$21.7M to a total surplus of \$2.2M at year’s end.

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

**Other**

The \$7.5M positive variance from the budget for the first quarter projection is primarily due to

---

*January 19-20, 2023 Board of Trustees Meetings*

the anticipated change in the practice of charging E&G funded units for Telecom and Desktop Services. This change has not occurred and is still under consideration as part of the budget model review.

### **Personnel Services**

The \$3.0M negative variance from the budget for the first quarter projection is primarily due to the anticipated change referenced in Other revenue above.

### **Supplies & Services & Capital Outlay**

The \$5.5M negative variance from the budget for the first quarter projection is primarily due to the anticipated change referenced in Other revenue above.

### **Transfers Out**

The \$6.9M variance from the budget for the first quarter projection is primarily due to University Housing and Dining Services' decision to use \$6.0M of reserve funds for the Upper Division and Graduate Housing project.

The ending Unrestricted Net Assets balance is projected to be 0.8% of total operating revenues.

### **RESTRICTED**

The Restricted Fund revenues are projected to total \$459.0M, expenditures are expected to total \$430.6M, and transfers in and transfers out are projected to be \$0.02M and \$20.5M, respectively. Restricted net assets are projected to increase by about \$7.9M, to total \$17.6M at year's end.

For Restricted funds, the following items are of note:

#### **Federal**

The negative variance of \$15.0M from the budget for the first quarter projection is primarily due to expense reimbursement for PacWave budgeted in FY23 and is now anticipated to be spent in FY24.

#### **State**

The burn rate is higher than the seven-year historical average due to Public Health and Human Services receiving an increase in grants related to Oregon Parenting Education Collaborative (OPEC) in the first quarter of the year.

#### **Transfers Out**

The positive variance of \$14.6M from the budget for the first quarter projection is primarily due to the delay in anticipated spending for PacWave.

### **RECOMMENDATION**

Staff recommend that the Finance & Administration Committee accept the FY2023 Q1 Operating Management Report.

**Oregon State University**  
**Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of September 30, 2022**  
**For the Fiscal Year Ended June 30, 2023**

(in thousands except enrollment)

**EDUCATION & GENERAL**

	YTD Actual			Budget & YE Projection			Notes	
	A	B	C	D	E	F		
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	6/30/2022 Prior Yr. Actual	Budget	YE Projected 6/30/2023	Change from Budget	
State General Fund	\$94,394	35%	35%	\$260,758	\$266,518	\$268,888	\$2,370	
Tuition & Resource Fees, net of Waivers	176,141	40%	40%	401,907	425,033	443,698	<b>18,665</b>	(1)
Other	22,863	20%	14%	111,243	112,745	113,922	1,177	
<b>Total Revenues</b>	293,398			747,876	804,296	826,508	22,212	
Personnel Services	(118,698)	19%	19%	(585,801)	(609,082)	(609,082)	0	
Supplies & Services & Capital Outlay	(33,956)	17%	20%	(178,290)	(195,426)	(195,426)	0	
<b>Total Expenditures</b>	(152,654)			(764,091)	(804,508)	(804,508)	0	
<b>Net from Operations</b>	140,744			9,817	(212)	22,000	22,212	
Transfers In	815			32,598	5,663	5,911	248	
Transfers Out	(692)			(29,287)	(18,212)	(18,444)	(232)	
Fund Additions/(Deductions)	0			0	0	0	0	
<b>Change in Unrestricted Net Assets</b>	140,867			13,128	(12,761)	9,467	22,228	
<b>Beginning Unrestricted Net Assets</b>	187,311			174,183	187,311	187,311	0	
<b>Ending Unrestricted Net Assets</b>	<u>\$328,178</u>			<u>\$187,311</u>	<u>\$174,550</u>	<u>\$196,778</u>	<u>\$22,228</u>	
% Operating Revenues				24.2%	21.7%	23.8%		
Student FTE Enrollment-YTD Summer and Fall terms only	11,942	41%	40%	28,693	29,123	29,697	574	

(1) The \$18.7M positive variance from budget for the 1st quarter projection is primarily due to higher than anticipated non-resident and Ecampus enrollment growth totaling \$17.1M.

**Oregon State University  
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of September 30, 2022  
For the Fiscal Year Ended June 30, 2023**

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2022	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	YE Projected 6/30/2023	Change from Budget	
(in thousands)								
<b>SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments</b>								
Enrollment Fees	\$16,709	36%	37%	\$43,238	\$46,681	\$46,397	(\$284)	
Sales & Services	19,618	11%	14%	164,712	172,544	173,791	1,247	
Other	<u>8,268</u>	20%	16%	<u>42,379</u>	<u>33,521</u>	<u>41,042</u>	<b>7,521</b>	(2)
<b>Total Revenues</b>	44,595			250,329	252,746	261,230	8,484	
Personnel Services	(28,353)	21%	23%	(115,115)	(129,501)	(132,484)	<b>(2,983)</b>	(3)
Supplies & Services & Capital Outlay	<u>(26,889)</u>	21%	18%	<u>(114,120)</u>	<u>(119,801)</u>	<u>(125,311)</u>	<b>(5,510)</b>	(4)
<b>Total Expenditures</b>	<u>(55,242)</u>			<u>(229,235)</u>	<u>(249,302)</u>	<u>(257,795)</u>	<u>(8,493)</u>	
<b>Net from Operations</b>	(10,647)			21,094	3,444	3,435	(9)	
Transfers In	370			18,966	9,649	9,881	232	
Transfers Out	(2,047)			(11,708)	(12,040)	(18,934)	(6,894)	(5)
Additions/(Deductions) to Unrestricted Net Assets	<u>137</u>			<u>(16,273)</u>	<u>(15,904)</u>	<u>(16,033)</u>	<u>(129)</u>	
<b>Change in Unrestricted Net Assets</b>	(12,187)			12,079	(14,851)	(21,651)	(6,800)	
<b>Beginning Unrestricted Net Assets</b>	<u>23,804</u>			<u>11,725</u>	<u>23,804</u>	<u>23,804</u>	<u>0</u>	
<b>Ending Unrestricted Net Assets</b>	<u>\$11,617</u>			<u>\$23,804</u>	<u>\$8,953</u>	<u>\$2,153</u>	<u>(\$6,800)</u>	
% of Operating Revenues				9.5%	3.5%	0.8%		
<b>Total Unrestricted Net Assets</b>				\$211,115	\$183,503	\$198,931		
<b>Days of Expenditures in Total Unrestricted Funds</b>				78	64	68		

- (2) The \$7.5M positive variance from the budget for the 1st quarter projection is primarily due to the anticipated change in the practice of charging E&G funded units for Telecom and Desktop Services. This change has not occurred and is still under consideration as part of the budget model review.
- (3) The \$3.0M negative variance from the budget for the 1st quarter projection is primarily due to the anticipated change referenced in Other revenue above.
- (4) The \$5.5M negative variance from the budget for the 1st quarter projection is primarily due to the anticipated change referenced in Other revenue above.
- (5) The \$6.9M variance from the budget for the 1st quarter projection is primarily due to University Housing and Dining Services decision to use \$6.0M of reserve funds for the Upper Division and Graduate Housing project.

**Oregon State University  
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of September 30, 2022  
For the Fiscal Year Ended June 30, 2023**

	YTD Actual				Budget & YE Projection			Notes
	A	B	C		D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	6/30/2022 Prior Yr. Actual	Budget	YE Projected 6/30/2023	Change from Budget	
<i>(in thousands)</i>								
<b>RESTRICTED FUNDS</b>								
Federal	\$77,480	23%	26%	\$336,156	\$350,000	\$335,000	<b>(\$15,000)</b>	(6)
State	12,541	<b>45%</b>	28%	25,681	30,000	28,000	(2,000)	(7)
Other	23,902	25%	26%	95,087	96,000	96,000	0	
<b>Total Revenues</b>	113,923			456,924	476,000	459,000	(17,000)	
Personnel Services	(44,456)	28%	27%	(152,209)	(158,620)	(160,620)	(2,000)	
Supplies & Services & Capital Outlay	(67,713)	25%	26%	(267,778)	(270,000)	(270,000)	0	
<b>Total Expenditures</b>	(112,169)			(419,987)	(428,620)	(430,620)	(2,000)	
<b>Net from Operations</b>	1,754			36,937	47,380	28,380	(19,000)	
Transfers In	0			21	20	20	0	
Transfers Out	(98)			(32,893)	(35,145)	(20,545)	<b>14,600</b>	(8)
Additions/(Deductions) to Restricted Net Assets	0			0	0	0	0	
<b>Change in Restricted Net Assets</b>	1,656			4,065	12,255	7,855	(4,400)	
<b>Beginning Restricted Net Assets</b>	9,789			5,724	9,789	9,789	0	
<b>Ending Restricted Net Assets</b>	<u>\$11,445</u>			<u>\$9,789</u>	<u>\$22,044</u>	<u>\$17,644</u>	<u>(\$4,400)</u>	
% of Operating Revenues				2.1%	4.6%	3.8%		

(6) The negative variance of \$15.0M from the budget for the 1st quarter projection is primarily due to expense reimbursement for PacWave budgeted in FY23 and is now anticipated to be spent in FY24.

(7) The burn rate is higher than the seven-year historical average due to Public Health and Human Services receiving an increase in grants related to Oregon Parenting Education Collaborative (OPEC) in the first quarter of the year.

(8) The positive variance of \$14.6M from the budget for the 1st quarter projection is primarily due to the delay in anticipated spending for PacWave.

**Oregon State University**  
**Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of September 30, 2022**  
**For the Fiscal Year Ended June 30, 2023**

(in thousands)

**RESTRICTED FUNDS**

	YTD Actual			Budget & YE Projection			Notes	
	A	B	C	D	E	F		
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	6/30/2022 Prior Yr. Actual	Budget	YE Projected 6/30/2023	Change from Budget	
Federal	\$77,480	23%	26%	\$336,156	\$350,000	\$335,000	<b>(\$15,000)</b>	(6)
State	12,541	<b>45%</b>	28%	25,681	30,000	28,000	(2,000)	(7)
Other	23,902	25%	26%	95,087	96,000	96,000	0	
<b>Total Revenues</b>	113,923			456,924	476,000	459,000	(17,000)	
Personnel Services	(44,456)	28%	27%	(152,209)	(158,620)	(160,620)	(2,000)	
Supplies & Services & Capital Outlay	(67,713)	25%	26%	(267,778)	(270,000)	(270,000)	0	
<b>Total Expenditures</b>	(112,169)			(419,987)	(428,620)	(430,620)	(2,000)	
<b>Net from Operations</b>	1,754			36,937	47,380	28,380	(19,000)	
Transfers In	0			21	20	20	0	
Transfers Out	(98)			(32,893)	(35,145)	(20,545)	14,600	(8)
Additions/(Deductions) to Restricted Net Assets	0			0	0	0	0	
<b>Change in Restricted Net Assets</b>	1,656			4,065	12,255	7,855	(4,400)	
<b>Beginning Restricted Net Assets</b>	9,789			5,724	9,789	9,789	0	
<b>Ending Restricted Net Assets</b>	<u>\$11,445</u>			<u>\$9,789</u>	<u>\$22,044</u>	<u>\$17,644</u>	<u>(\$4,400)</u>	
% of Operating Revenues				2.1%	4.6%	3.8%		

- (6) The negative variance of \$15.0M from the budget for the 1st quarter projection is primarily due to expense reimbursement for PacWave budgeted in FY23 and is now anticipated to be spent in FY24.
- (7) The burn rate is higher than the seven-year historical average due to Public Health and Human Services receiving an increase in grants related to Oregon Parenting Education Collaborative (OPEC) in the first quarter of the year.
- (8) The positive variance of \$14.6M from the budget for the 1st quarter projection is primarily due to the delay in anticipated spending for PacWave.

January 19-20, 2023 Board of Trustees Meetings

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

**As of September 30, 2022**  
**For the Fiscal Year Ended June 30, 2023**

	E&G	Self-Support		Plant fund	Restricted	Other	Total
		Auxiliary	Designated Operations & Service Departments				
Transfers In - E&G		\$217	\$2,671 (d)	\$2,878	\$145		\$5,911
Transfers Out - E&G		8,545 (a)	1,335 (b)	8,544 (c)	20		18,444
Transfers In - Auxiliary	\$8,545 (a)						8,545
Transfers Out - Auxiliary	217			15,346 (c)			15,563
Transfers In - Designated Operations & Service Departments	1,335 (b)				0		1,335
Transfers Out - Designated Operations & Service Departments	2,671 (d)			700			3,371
Transfers In - Restricted	20						20
Transfers Out - Restricted	145			20,400			20,545

- (a) \$8.5M support for athletics
- (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