

FY2024 Q3 OSU Operating Management Report

BACKGROUND

Oregon State University’s fiscal year (FY) 2024 third quarter (Q3, July 1–March 31, 2024) 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 budget presented in the June 2023 board meeting.

Due to short timeframe between the April and May meetings of the board, management opted to perform an abbreviated process to update Q3 projections for FY2023. Rather than requesting full updates from all operating units, management reviewed the actual year-to-date trends as compared to the Q2 projections and made limited adjustments to the projections based on that analysis. A footnote was added to explain the updated projections that resulted from the high-level analysis.

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, 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 FY2024 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 \$913.6M, expenditures are expected to total \$888.6M, and transfers in and transfers out are projected to be \$6.5M and \$19.0M, 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 \$12.5M to total \$198.9M at year’s end.

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

Other

The projection for other revenue was increased \$2.4M for F&A rate recovery and \$3.5M for investment income based on year-to-date actuals and current trends.

The ending Unrestricted Net Assets balance is projected to be 21.8% of total operating revenues, which is above the Board’s established range of 10% to 20% of total operating revenues. Of the 21.8% ending unrestricted net asset balance, 3.1%, or \$27.9M is the projected carryover balance of Outdoor School funding. Projected ending unrestricted net assets without Outdoor School funds would be 18.7% of revenues, which is within the Board’s established range.

SELF-SUPPORT

Self-Support Fund revenues are projected to total \$287.7M, expenditures are expected to total \$275.1M, and transfers in and transfers out are projected to be \$10.0M and \$25.2M, 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 \$18.6M to \$5.1M at year’s end.

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

Sales & Services

The realization rate for sales & services revenue is lower than the seven-year historical average primarily due to Athletics not yet receiving conference distributions, which are typically received in December. The projection was increased \$10.0M in anticipation of additional Pac-12 funds to be received by Athletics prior to year-end.

Other

The realization rate for other revenue is higher than the seven-year historical average due to the sale of NuScale stock and the close out of capital construction projects, which resulted in higher revenue generation for Capital Project Management in the first three quarters of FY24. The projection was increased \$3.0M due to a contract buyout received by Athletics.

The ending Unrestricted Net Assets balance is projected to be 1.8% of total operating revenues.

RESTRICTED

The Restricted Fund revenues are projected to total \$547.5M, expenditures are expected to total \$506.0M, and transfers in and transfers out are projected to be \$3.8M and \$35.0M, respectively. Restricted net assets are projected to increase by about \$10.3M, to total \$19.4M at year's end.

For Restricted funds, the following item is of note:

Personnel Services

The projection for personnel services was increased \$2.0M due primarily to continued increases in federal grants allowing for increased hiring.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee accept the FY2024 Q3 Operating Management Report, as detailed in Attachment 1.

**Oregon State University
Quarterly Operating Management Report**

**As of March 31, 2024
For the Fiscal Year Ended June 30, 2024**

(Unaudited, for management purposes only)

(in thousands except enrollment)

EDUCATION & GENERAL

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2023	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	YE Projected 6/30/2024	Chg from prior qtr. projection	
State General Fund	\$253,394	84%	83%	\$270,348	\$270,724	\$300,433	\$0	
Tuition & Resource Fees, net of Waivers	465,886	98%	99%	432,881	475,011	\$474,465	0	
Other	92,628	67%	63%	128,798	125,254	\$138,661	5,900	(1)
Total Revenues	811,908			832,027	870,989	913,559	5,900	
Personnel Services	(490,825)	74%	73%	(613,600)	(642,500)	(666,580)	0	
Supplies & Services & Capital Outlay	(143,645)	65%	67%	(201,873)	(202,831)	(222,021)	0	
Total Expenditures	(634,470)			(815,473)	(845,331)	(888,601)	0	
Net from Operations	177,438			16,554	25,658	24,958	5,900	
Transfers In	10,597			4,784	3,760	6,540	0	
Transfers Out	(22,425)			(22,281)	(26,383)	(18,997)	0	
Fund Additions/(Deductions)	0			0	0	0	0	
Change in Unrestricted Net Assets	165,610			(943)	3,035	12,501	5,900	
Beginning Unrestricted Net Assets	186,368			187,311	186,368	186,368	0	
Ending Unrestricted Net Assets	\$351,978			\$186,368	\$189,403	\$198,869	\$5,900	
% Operating Revenues	43.4%			22.4%	21.7%	21.8%		
Student FTE Enrollment-YTD (Summer, Fall and Winter terms)	22,289	74%	71%	29,824	30,284	30,284	0	

(1) The projection for other revenue was increased \$2.4M for F&A rate recovery and \$3.5M for investment income based on year-to-date actuals and current trends.

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For the Fiscal Year Ended June 30, 2024

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2023	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	YE Projected 6/30/2024	Chg from prior qtr. projection	
(in thousands)								
SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments								
Enrollment Fees	\$49,839	98%	98%	\$47,164	\$50,530	\$50,899	\$0	
Sales & Services	107,208	55%	64%	175,466	185,819	\$193,873	10,000	(2)
Other	35,217	82%	68%	51,109	44,697	\$42,912	3,000	(3)
Total Revenues	192,264			273,739	281,046	287,684	13,000	
Personnel Services	(98,925)	74%	74%	(124,699)	(142,115)	(134,215)	0	
Supplies & Services & Capital Outlay	(102,018)	72%	76%	(127,083)	(124,069)	(140,903)	0	
Total Expenditures	(200,943)			(251,782)	(266,184)	(275,118)	0	
Net from Operations	(8,679)			21,957	14,862	12,566	13,000	
Transfers In	9,377			10,571	9,714	9,992	0	
Transfers Out	(22,321)			(20,485)	(23,765)	(25,175)	0	
Additions/(Deductions) to Unrestricted Net Assets	(6,517)			(12,191)	(15,169)	(15,963)	0	
Change in Unrestricted Net Assets	(28,140)			(148)	(14,358)	(18,580)	13,000	
Beginning Unrestricted Net Assets	23,656			23,804	23,656	23,656	0	
Ending Unrestricted Net Assets	(\$4,484)			\$23,656	\$9,298	\$5,076	\$13,000	
% of Operating Revenues	-2.3%			8.6%	3.3%	1.8%		
Total Unrestricted Net Assets	\$347,494			\$210,024	\$198,701	\$200,445		
Days of Expenditures in Total Unrestricted Funds				72	65	63		

- (2) The realization rate for sales & services revenue is lower than the seven-year historical average primarily due to Athletics not yet receiving conference distributions, which are typically received in December. The projection was increased \$10.0M in anticipation of Pac-12 funds to be received by Athletics prior to year-end.
- (3) The realization rate for other revenue is higher than the seven-year historical average due to the sale of NuScale stock and the close out of capital construction projects, which resulted in higher revenue generation for Capital Project Management in the first three quarters of FY24. The projection was increased \$3.0M due to a contract buyout received by Athletics.

Oregon State University
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As of March 31, 2024
For the Fiscal Year Ended June 30, 2024

(Unaudited, for management purposes only)

(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 %	6/30/2023 Prior Yr. Actual	Budget	YE Projected 6/30/2024	Chg from prior qtr. projection
Federal	\$277,367	72%	73%	\$348,530	\$352,000	\$385,000	\$0
State	40,570	75%	76%	42,256	36,000	54,000	0
Other	81,449	75%	72%	103,730	98,000	108,536	0
Total Revenues	399,386			494,516	486,000	547,536	0
Personnel Services	(133,749)	75%	73%	(168,256)	(165,000)	(179,000)	(2,000) (4)
Supplies & Services & Capital Outlay	(255,182)	78%	76%	(302,651)	(283,000)	(327,000)	0
Total Expenditures	(388,931)			(470,907)	(448,000)	(506,000)	(2,000)
Net from Operations	10,455			23,609	38,000	41,536	(2,000)
Transfers In	4,645			0	0	3,778	0
Transfers Out	(27,617)			(24,325)	(43,132)	(35,000)	0
Additions/(Deductions) to Restricted Net Assets	0			0	0	0	0
Change in Restricted Net Assets	(12,517)			(716)	(5,132)	10,314	(2,000)
Beginning Restricted Net Assets	9,073			9,789	9,073	9,073	(0)
Ending Restricted Net Assets	(\$3,444)			\$9,073	\$3,941	\$19,387	(\$2,000)
% of Operating Revenues	-0.9%			1.8%	0.8%	3.5%	

(4) The projection for personnel services was increased \$2.0M due primarily to continued increases in federal grants allowing for increased hiring.

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

As of March 31, 2024
For the Fiscal Year Ended June 30, 2024

	E&G	Self-Support		Plant fund	Restricted	Other	Total
		Auxiliary	Designated Operations & Service Departments				
Transfers In - E&G		\$232	\$5,055 (c)	\$1,043	\$210		\$6,540
Transfers Out - E&G		8,710 (a)	1,226 (b)	9,056 (d)	5		18,997
Transfers In - Auxiliary	\$8,710 (a)			12			8,722
Transfers Out - Auxiliary	232			16,649 (d)			16,881
Transfers In - Designated Operations & Service Departments	1,226 (b)				44		1,270
Transfers Out - Designated Operations & Service Departments	5,055 (c)			3,239 (d)			8,294
Transfers In - Restricted	5			3,773			3,778
Transfers Out - Restricted	210		44	34,746 (e)			35,000

- (a) includes \$8.3M support for athletics
- (b) subsidies from E&G for supporting Designated Operations and Service Departments
- (c) transfer of royalties to E&G
- (d) transfers to plant fund for remodels and space renovations
- (e) transfer for federally funded PacWave capital project

May 16-17, 2024 Board of Trustees Meetings