

FY2020 Q3 OSU Operating Management Report

BACKGROUND

Oregon State University’s fiscal year (FY) 2020 Third Quarter (Q3) 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. 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 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 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 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 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 FY2020 Q3 report for each major operating fund type is as follows:

EDUCATION AND GENERAL

For the fiscal year, the Education and General Fund (E&G) revenues are projected to total \$735.3M, expenditures are expected to total \$706.1M, and transfers in and transfers out are projected to be \$6.6M and \$32.9M, respectively. Unrestricted net assets are projected to increase by \$2.9M to total \$92.3M at year’s end. Refer to the transfers schedule for details about how this impacts the change to unrestricted net assets.

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

Other

The realization rate is flagged due to the change in Q4 projection associated with the coronavirus pandemic (COVID-19). The projection was reduced to reflect an anticipated reduction of \$2.0M for Veterinary Medicine sales and services and \$1.5M reduction in anticipated interest income due to declining interest rates.

Supplies & Services & Capital Outlay

The decrease in the projection is primarily due to impacts of the COVID-19 pandemic, including \$7.2M from outdoor school cancellations and \$1.4M in reduced utility costs.

The ending Unrestricted Net Assets balance is projected to be 12.6% 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 \$211.4M, expenditures are expected to total \$232.9M, and transfers in and transfers out are projected to be \$10.9M and \$9.9M, respectively. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$4.8M. Unrestricted net assets are projected to decrease by \$25.2M to total (\$0.9M) at year’s end. Please refer to the transfers schedule for details about how this impacts the change to unrestricted net assets.

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

Enrollment Fees

The realization rate is flagged for the Q4 projection decrease of \$1.8M due to 11.3% incidental fee discount and 5% lower spring term enrollment.

Sales & Services

The realization rate change and the Q4 projection reduction of \$36M are flagged primarily for the following decreases: housing occupancy reductions of \$16.9M; Link Oregon now collecting network services partnership fees directly, \$5.4M; athletics losses in ticket sales, NCAA and Pac-12 revenue of \$4.7M; student centers closures resulting in revenue losses of \$2.3M; \$2.9M in lost sales revenues in designated operations; and parking permit refunds and loss of permit sales of \$1.2M.

Other

The realization rate and Q4 projection change are flagged primarily due to the cancellation of Oceanus vessel cruises, which reduced projected revenues \$2.1M; decreases in royalties of \$1.4M; decrease among various auxiliaries at \$1.7M; and reductions of \$1.8M among various service centers in response to COVID-19.

Personnel Services

The realization rate and Q4 projection change are flagged primarily due to Q4 cost cutting measures in response to the revenue shortfalls driving reductions in salary and OPE for Housing at \$1.5M; Student Centers at \$0.8M; Student Health at \$0.7M and Designated Operations at \$1.9M.

Supplies & Services & Capital Outlay

The realization rate and Q4 projection change are flagged primarily due to the impacts of the remote only modality and stay-at-home orders that lowered Q4 costs associated with Housing and Dining usage of \$4.4M; Student Centers usage of \$1.2M and Network Services Link Oregon of \$3.5M.

The ending Unrestricted Net Assets balance is projected to be (\$0.9M) or (0.4%) of total operating revenues. Unrestricted net assets are projected to be positive for all self-support units except University Housing and Dining Services (UHDS) and Athletics.

- Unrestricted Net Assets are projected to be (\$11.2M) for UHDS due primarily to lost revenues in spring term from COVID-related housing occupancy reductions.
- For Athletics, Unrestricted Net Assets are projected to be (\$53.6M), which grows the unrestricted net asset deficit by \$11.2M over the prior fiscal year. This is primarily due to lost ticket sales and reduced NCAA and Pac-12 revenues in spring term.

RESTRICTED

For the fiscal year, the Restricted Fund revenues are projected to total \$407.1M, expenditures are expected to total \$400.0M, and transfers in and transfers out are projected to be \$0.1M and \$2.1M, respectively. Deductions from restricted net assets represents the correction of a prior year entry totaling \$0.1M from Self-Support to Restricted. Restricted net assets are projected to increase by approximately \$5.0M, to total \$18.7M at year's end.

For Restricted funds, the following items are of note:

Federal

The decrease in projected revenues of \$17.1M is due to expected delayed spending related to the impacts of COVID-19.

Supplies & Services & Capital Outlay

The decrease in projected expenses of \$18.5M is due to expected delayed spending related to the impacts of COVID-19.

RECOMMENDATION

Staff recommend that the Board accept the FY2020 Q3 Operating Management Report. The Board will hear an update on the budget related to COVID-19 impacts under a separate agenda item.

Oregon State University
Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of March 31, 2020
For the Fiscal Year Ended June 30, 2020

(in thousands except enrollment)

EDUCATION & GENERAL

	YTD Actual			Budget & YE Projection					Notes
	A	B	C	D	E	F	G		
	YTD	YTD as a % of 7 yr. avg. Projected	Prior YTD % avg.	Budget	Adjusted Budget 6/30/2020	Projected Variance from Budget	YE Projected 6/30/2020	Chg from prior qtr. projection	
State General Fund	\$199,265	85%	83%	\$226,761	\$226,761	\$7,558	\$234,319	(\$6,349)	
Tuition & Resource Fees, net of Waivers	393,223	99%	99%	397,865	398,997	(1,536)	396,329	(2,024)	
Other	70,154	69%	61%	102,086	105,586	(280)	101,806	(5,446)	(1)
Total Revenues	662,642			726,712	731,344	5,742	732,454	(13,819)	
Personnel Services	(405,091)	74%	73%	(540,495)	(540,495)	(6,531)	(547,026)	(2,312)	
Supplies & Services & Capital Outlay	(109,602)	69%	68%	(165,873)	(165,873)	6,787	(159,086)	16,403	(2)
Total Expenditures	(514,693)			(706,368)	(706,368)	256	(706,112)	14,091	
Net from Operations	147,949			20,344	24,976	5,998	26,342	272	
Transfers In	3,791	57%	65%	3,709	3,709	2,935	6,644	526	
Transfers Out	(28,583)	87%	95%	(24,647)	(24,677)	(8,262)	(32,909)	(2,485)	
Fund Additions/(Deductions)	0			0	0	0	0	0	
Change in Unrestricted Net Assets	123,157			(594)	4,008	671	77	(1,687)	
Beginning Unrestricted Net Assets	89,395			89,395	89,395	0	89,395	0	
Ending Unrestricted Net Assets	\$212,552			\$88,801	\$93,403	\$671	\$89,472	(\$1,687)	
% Operating Revenues				12.2%	12.8%		12.2%		
Student FTE Enrollment-YTD Summer thru winter term only	20,192	69%	71%	29,162	29,162	0	29,162	0	

(1) The realization rate is flagged due to the change in projection associated with the novel coronavirus pandemic (COVID-19). The projection was reduced to reflect an anticipated reduction of \$2.0M for Veterinary Medicine sales and services and \$1.5M reduction in anticipated interest income due to declining interest rates.

(2) The decrease in the projection is primarily due to impacts of the COVID-19 pandemic, including \$7.2M from outdoor school cancellations and \$1.4M in reduced utility costs.

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Total Revenues	662,642			726,712	731,344	5,742	732,454	(13,819)	
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(Unaudited, for management purposes only)

As of March 31, 2020
For the Fiscal Year Ended June 30, 2020

	YTD Actual			Budget & YE Projection					Notes
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	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Budget	Adjusted Budget 6/30/2020	Projected Variance from Budget	YE Projected 6/30/2020	Chg from prior qtr. projection	
(in thousands)									
SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments									
Enrollment Fees	\$39,960	102%	96%	\$40,928	\$40,928	(\$1,649)	\$39,279	(\$1,776)	(3)
Sales & Services	103,836	77%	64%	173,280	173,285	(38,493)	134,787	(36,095)	(4)
Other	28,828	77%	67%	43,169	43,164	(5,894)	37,275	(7,113)	(5)
Total Revenues	172,624			257,377	257,377	(46,036)	211,341	(44,984)	
Personnel Services	(88,130)	75%	73%	(125,262)	(125,262)	8,239	(117,023)	5,067	(6)
Supplies & Services & Capital Outlay	(94,053)	81%	73%	(124,611)	(124,611)	8,784	(115,827)	10,463	(7)
Total Expenditures	(182,183)			(249,873)	(249,873)	17,023	(232,850)	15,530	
Net from Operations	(9,559)			7,504	7,504	(29,013)	(21,509)	(29,454)	
Transfers In	8,637	79%	80%	9,322	9,322	1,574	10,896	1,614	
Transfers Out	(6,929)	70%	75%	(9,608)	(9,608)	(330)	(9,938)	(252)	
Additions/(Deductions) to Unrestricted Net Assets	(436)			(4,028)	(4,028)	(759)	(4,787)	(549)	
Change in Unrestricted Net Assets	(8,287)			3,190	3,190	(28,528)	(25,338)	(28,641)	
Beginning Unrestricted Net Assets	24,368			24,368	24,368	0	24,368	0	
Ending Unrestricted Net Assets	\$16,081			\$27,558	\$27,558	(\$28,528)	(\$970)	(\$28,641)	
% of Operating Revenues				10.7%	10.7%		-0.5%		
Total Unrestricted Net Assets				\$116,359	\$120,961		\$88,502		
Days of Expenditures in Total Unrestricted Funds				44	46		34		

- (3) The realization rate is flagged for the Q4 projection decrease of \$1.8M for 11.3% incidental fee discount and 5% lower spring term enrollment.
- (4) The realization rate change and the Q4 projection reduction of \$36M are flagged due primarily to the following decreases: housing occupancy reduction of occupancy \$16.9M, Link Oregon now collecting network services partnership fees directly \$5.4M, athletics losses in ticket sales, NCAA and Pac12 revenue \$4.7M, student centers closures resulting in revenue losses of \$2.3M, \$2.9M in lost sales revenues in designated operations and parking permit refunds and loss of permit sales of \$1.2M.
- (5) The realization rate and Q4 change in projection are flagged primarily due to the cancellation of Oceanus vessel cruises, which reduced projected revenues of \$2.1M, decreases in royalties of \$1.4M, decrease among various auxiliaries at \$1.7M and reductions of \$1.8M among various service centers.
- (6) The realization rate and change in projection are flagged primarily due to Q4 cost cutting measures in response to the revenue shortfalls driving reduction in salary and OPE in Housing \$1.5M, Student Centers \$0.8M, Student Health \$0.7M and Designated Operations \$1.9M.
- (7) The realization rate and change in projection are flagged primarily due to the impacts of the remote only modality and stay-at-home orders that lowered Q4 costs associated with Housing and dining usage \$4.4M, Student Centers usage \$1.2M, and Network Services Link Oregon \$3.5M.

August 14, 2020 Board of Trustees Meeting

**Oregon State University
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of March 31, 2020
For the Fiscal Year Ended June 30, 2020**

(in thousands)

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

	YTD Actual			Budget & YE Projection					Notes
	A YTD	B YTD as a % of Projected	C Prior 7 yr. avg. YTD %	D Budget	E Adjusted Budget 6/30/2020	F Projected Variance from Budget	G Projected YE 6/30/2020	H Chg from prior qtr. projection	
Enrollment Fees	\$39,960	102%	96%	\$40,928	\$40,928	(\$1,649)	\$39,279	(\$1,776)	(3)
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Transfers Out	(6,929)	70%	75%	(9,608)	(9,608)	(330)	(9,938)	(252)	
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Change in Unrestricted Net Assets	(8,287)			3,190	3,190	(28,528)	(25,338)	(28,641)	
Beginning Unrestricted Net Assets	24,368			24,368	24,368	0	24,368	0	
Ending Unrestricted Net Assets	\$16,081			\$27,558	\$27,558	(\$28,528)	(\$970)	(\$28,641)	
% of Operating Revenues				10.7%	10.7%		-0.5%		
Total Unrestricted Net Assets				\$116,359	\$120,961		\$88,502		
Days of Expenditures in Total Unrestricted Funds				44	46		34		

(3) Realization rate is flagged for the Q4 projection decrease of \$1.8M for 11.3% incidental fee discount and 5% lower spring term enrollment.

(4) Realization rate and change in projection are flagged due primarily to the following decreases; housing occupancy \$16.9M, Link Oregon now collecting network services partnership fees directly \$5.4M, athletics losses in ticket sales, NCAA and Pac12 revenue \$4.7M, student centers closures \$2.3M, designated operations lost sales \$2.9M and parking permit refunds and loss of permit sales \$1.2M.

(5) Realization rate and Q4 change in projection are flagged primarily to cancellation of Oceanus vessel cruises \$2.1M, decrease in royalties \$1.4M, decrease among various auxiliaries \$1.7M and \$1.8M among various service centers.

(6) Realization rate and change in projection are flagged primarily due to Q4 projection reduction in salary and OPE in housing \$1.5M, student centers \$0.8M, student health \$0.7M and designated operations \$1.9M.

(7) Realization rate and change in projection are flagged primarily due to lower Q4 costs associated with housing and dining usage \$4.4M, student centers usage \$1.2M, and network services Link Oregon \$3.5M.

August 14, 2020 Board of Trustees Meeting

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

As of March 31, 2020
For the Fiscal Year Ended June 30, 2020

	YTD Actual			Budget & YE Projection					Notes
	A	B	C	D	E	F	G		
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Budget	Adjusted Budget 6/30/2020	Projected Variance from Budget	YE Projected 6/30/2020	Chg from prior qtr. projection	
(in thousands)									
RESTRICTED FUNDS									
Federal	\$209,595	74%	74%	\$246,437	\$248,000	\$36,488	\$282,925	(\$17,075)	(8)
State	16,906	77%	77%	19,924	20,306	2,107	22,031	2,031	
Other	70,415	69%	66%	100,701	101,674	1,498	102,199	(2,801)	
Total Revenues	296,916			367,062	369,980	40,093	407,155	(17,845)	
Personnel Services	(103,573)	75%	74%	(138,219)	(140,000)	(305)	(138,524)	1,476	
Supplies & Services & Capital Outlay	(195,064)	75%	75%	(226,426)	(228,000)	(35,074)	(261,500)	18,500	(9)
Total Expenditures	(298,637)			(364,645)	(368,000)	(35,379)	(400,024)	19,976	
Net from Operations	(1,721)			2,417	1,980	4,714	7,131	2,131	
Transfers In	42	64%	65%	75	75	(9)	66	(9)	
Transfers Out	(481)	22%	30%	(2,140)	(2,140)	(3)	(2,143)	(3)	
Additions/(Deductions) to Restricted Net Assets	(81)			0	(81)	(81)	(81)	0	
Change in Restricted Net Assets	(2,241)			352	(166)	4,621	4,973	2,119	
Beginning Restricted Net Assets	13,733			13,733	13,733	0	13,733	0	
Ending Restricted Net Assets	\$11,492			\$14,085	\$13,567	\$4,621	\$18,706	\$2,119	
% of Operating Revenues				3.8%	3.7%		4.6%		

(8) The decrease in projected revenues of \$17.1M is due to expected delayed spending related to the impacts of COVID-19.

(9) The decrease in projected expenses of \$18.5M is due to expected delayed spending related to impacts of COVID-19.

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Quarterly Operating Management Report
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(in thousands)

RESTRICTED FUNDS

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

As of March 31, 2020
For the Fiscal Year Ended June 30, 2020

	Self-Support				Plant fund	Restricted	Total
	E&G	Auxiliary	Designated Operations & Service Departments				
Transfers In - E&G		\$246	\$2,642 (d)		\$3,633	\$123	\$ 6,644
Transfers Out - E&G		8,187 (a)	2,562 (b)		22,094 (c)	66	32,909
Transfers In - Auxiliary	\$8,187 (a)				127	20	8,334
Transfers Out - Auxiliary	246				6,328 (c)		6,574
Transfers In - Designated Operations & Service Departments	2,562 (b)						2,562
Transfers Out - Designated Operations & Service Departments	2,642 (d)				722 (c)		3,364
Transfers In - Restricted	66						66
Transfers Out - Restricted	123	20			2,000 (c)		2,143

- (a) mainly support for athletics-\$7.8M
- (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