

FY2021 Q2 OSU Operating Management Report

BACKGROUND

Oregon State University's fiscal year (FY) 2021 second quarter (Q2, October 1 – December 31, 2020) 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. 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 adjusted budget presented in the October 2020 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 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%
--------------------	----

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. 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 FY2021 Q2 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 \$738.7M, expenditures are expected to total \$719.7M, and transfers in and transfers out are projected to be \$16.9M and \$14.1M, respectively. Unrestricted net assets are projected to increase by \$21.8M to total \$130.4M at year's end. The transfers schedule in Attachment 1 provides details about how this impacts the change to unrestricted net assets.

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

Supplies & Services & Capital Outlay - The burn rate is lower than the seven-year average due to reduced spending in E&G and anticipated increased spending for return of Outdoor School in the Spring.

Transfers In - The \$11.7M increase from the prior quarter's projection is due to \$9.4M for Cordley Hall West and other systems renewals for various E&G buildings being returned from plant funds.

The ending Unrestricted Net Assets balance is projected to be 17.7% 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 \$155.9M, expenditures are expected to total \$213.6M, and transfers in and transfers out are projected to be \$19.8M and \$3.4M, respectively. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$5.6M. Unrestricted net assets are projected to decrease by \$46.8M to total \$(27.2M) at year's end. The transfers schedule in Attachment 1 provides details about how this impacts the change to unrestricted net assets.

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

Sales & Services - The \$6.7M reduction from the prior quarter's projection is mainly due to a \$5.0M decrease in Pac-12 revenues.

Other - The \$2.6M reduction from the prior quarter's projection is mainly due to the prolonged impacts of COVID-19 closures. As a result, the following units reduced their projection: Printing & Mailing \$0.7M, Student Health \$0.4M, Lab Animal Resource Center \$0.3M, USSE \$0.3M, Project Management Fee \$0.2M, Motor Pool \$0.2M, and other auxiliaries, designated operations and service centers \$0.5M.

Transfers In - The \$10.2M increase from the prior quarter's projection is mainly due to Housing & Dining reserves being returned. The Finley Hall renovation is now funded with an internal bank loan.

The ending Unrestricted Net Assets balance is projected to be (17.4)% of total operating revenues.

RESTRICTED

For the fiscal year, the Restricted Fund revenues are projected to total \$413.0M, expenditures are expected to total \$400.0M, and transfers in and transfers out are projected to be \$0.1M and \$3.4M, respectively. Restricted net assets are projected to increase by about \$9.7M, to total \$22.8M at year's end.

For Restricted funds, there are no items of note.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee accept the FY2021 Q2 Operating Management Report.

Oregon State University
Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of December 31, 2020
For the Fiscal Year Ended June 30, 2021

(in thousands except enrollment)

EDUCATION & GENERAL

	YTD Actual				Budget & YE Projection				Notes
	A	B	C		D	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	6/30/2020 Prior Yr. Actual	Budget	Adjusted Budget 6/30/2021	YE Projected 6/30/2021	Chg from prior qtr. projection	
State General Fund	\$146,408	60%	60%	\$237,104	\$196,336	\$240,804	\$245,560	\$0	
Tuition & Resource Fees, net of Waivers	276,638	70%	68%	395,126	404,425	393,715	393,079	(1,368)	
Other	42,818	43%	37%	106,842	97,626	95,571	100,100	(2,103)	
Total Revenues	465,864			739,072	698,387	730,090	738,739	(3,471)	
Personnel Services	(254,859)	47%	46%	(551,933)	(527,100)	(544,498)	(545,410)	635	
Supplies & Services & Capital Outlay	(67,222)	39%	46%	(153,182)	(153,700)	(168,409)	(174,332)	3,679	(1)
Total Expenditures	(322,081)			(705,115)	(680,800)	(712,907)	(719,742)	4,314	
Net from Operations	143,783			33,957	17,587	17,183	18,997	843	
Transfers In	4,235			14,901	5,476	5,476	16,930	11,744	(2)
Transfers Out	(12,818)			(29,681)	(34,254)	(32,691)	(14,081)	(3,394)	
Fund Additions/(Deductions)	0			0	0	0	0	0	
Change in Unrestricted Net Assets	135,200			19,177	(11,191)	(10,032)	21,846	9,193	
Beginning Unrestricted Net Assets	108,572			89,395	108,572	108,572	108,572	0	
Ending Unrestricted Net Assets	<u>\$243,772</u>			<u>\$108,572</u>	<u>\$97,381</u>	<u>\$98,540</u>	<u>\$130,418</u>	<u>\$9,193</u>	
% Operating Revenues				14.7%	13.9%	13.5%	17.7%		
Student FTE Enrollment-YTD Summer and Fall terms	11,669	41%	41%	28,307	28,166	28,166	28,166	0	

(1) The burn rate is lower than the seven-year average due to reduced spending in E&G and anticipated increased spending for return of Outdoor School in the Spring.

(2) The \$11.7M increase from the prior quarter's projection is due to \$9.4M for Cordley Hall West and other systems renewals for various E&G buildings being returned from plant funds.

April 1-2, 2021 Board of Trustees Meetings

Oregon State University
Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of December 31, 2020
For the Fiscal Year Ended June 30, 2021

(in thousands)

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

	YTD Actual				Budget & YE Projection				Notes
	A	B	C	6/30/2020 Prior Yr. Actual	D	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %		Budget	Adjusted Budget 6/30/2021	YE Projected 6/30/2021	Chg from prior qtr. projection	
Enrollment Fees	\$27,681	66%	66%	\$39,608	\$36,889	\$29,904	\$41,636	(\$65)	
Sales & Services	34,170	41%	45%	138,692	143,773	98,943	84,163	(6,673)	(3)
Other	15,117	50%	42%	41,320	37,460	29,636	30,131	(2,637)	(4)
Total Revenues	76,968			219,620	218,122	158,483	155,930	(9,375)	
Personnel Services	(51,343)	48%	48%	(116,015)	(106,535)	(101,649)	(106,991)	(1,160)	
Supplies & Services & Capital Outlay	(49,394)	46%	48%	(115,506)	(108,501)	(109,423)	(106,574)	1,243	
Total Expenditures	(100,737)			(231,521)	(215,036)	(211,072)	(213,565)	83	
Net from Operations	(23,769)			(11,901)	3,086	(52,589)	(57,635)	(9,292)	
Transfers In	18,890			23,936	9,093	7,530	19,770	10,208	(5)
Transfers Out	(758)			(10,593)	(6,236)	(6,426)	(3,362)	(76)	
Additions/(Deductions) to Unrestricted Net Assets	1,346			(6,153)	(4,394)	(4,394)	(5,589)	(109)	
Change in Unrestricted Net Assets	(4,291)			(4,711)	1,549	(55,879)	(46,816)	731	
Beginning Unrestricted Net Assets	19,658			24,368	19,658	19,658	19,658	0	
Ending Unrestricted Net Assets	\$15,367			\$19,658	\$21,207	(\$36,221)	(\$27,158)	\$731	
% of Operating Revenues				9.0%	9.7%	-22.9%	-17.4%		
Total Unrestricted Net Assets				\$128,230	\$118,588	\$62,319	\$103,260		
Days of Expenditures in Total Unrestricted Funds				50	48	25	40		

(3) The \$6.7M reduction from the prior quarter's projection is mainly due to a \$5.0M decrease in PAC12 revenues.

(4) The \$2.6M reduction from the prior quarter's projection is mainly due to the prolonged impacts of COVID-19 closures. As a result, the following units reduced their projection: Printing & Mailing \$0.7M, Student Health \$0.4M, Lab Animal Resource Center \$0.3M, USSE \$0.3M, Project Management Fee \$0.2M, Motor Pool \$0.2M, and other auxiliaries, designated operations and service centers \$0.5M.

(5) The \$10.2M increase from the prior quarter's projection is mainly due to Housing & Dining reserves being returned. The Finley Hall renovation is now funded with an internal bank loan.

April 1-2, 2021 Board of Trustees Meetings

Oregon State University
Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of December 31, 2020
For the Fiscal Year Ended June 30, 2021

(in thousands)

RESTRICTED FUNDS

	YTD Actual				Budget & YE Projection				Notes
	A	B	C		D	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	6/30/2020 Prior Yr. Actual	Budget	Adjusted Budget 6/30/2021	YE Projected 6/30/2021	Chg from prior qtr. projection	
Federal	\$134,409	46%	49%	\$283,696	\$293,648	\$293,090	\$292,000	(\$1,090)	
State	9,458	45%	43%	19,892	21,976	21,590	21,000	(590)	
Other	46,084	46%	47%	95,292	97,784	89,181	100,000	0	
Total Revenues	189,951			398,880	413,408	403,861	413,000	(1,680)	
Personnel Services	(71,932)	51%	50%	(139,361)	(147,305)	(141,351)	(142,000)	1,500	
Supplies & Services & Capital Outlay	(130,376)	51%	52%	(251,747)	(259,560)	(258,239)	(258,000)	239	
Total Expenditures	(202,308)			(391,108)	(406,865)	(399,590)	(400,000)	1,739	
Net from Operations	(12,357)			7,772	6,543	4,271	13,000	59	
Transfers In	6			55	70	70	70	0	
Transfers Out	(3,259)			(8,396)	(3,000)	(3,000)	(3,369)	(369)	
Additions/(Deductions) to Restricted Net Assets	(0)			(81)	0	0	0	0	
Change in Restricted Net Assets	(15,610)			(650)	3,613	1,341	9,701	(310)	
Beginning Restricted Net Assets	13,083			13,733	13,083	13,083	13,083	0	
Ending Restricted Net Assets	(\$2,527)			\$13,083	\$16,696	\$14,424	\$22,784	(\$310)	
% of Operating Revenues				3.3%	4.0%	3.6%	5.5%		

April 1-2, 2021 Board of Trustees Meetings

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

As of December 31, 2020
For the Fiscal Year Ended June 30, 2021

			Self-Support									
	E&G		Auxiliary		Designated Operations & Service Departments		Plant fund		Restricted	Other		Total
Transfers In - E&G			\$212		\$2,624 (d)		\$13,961		\$133			\$16,930
Transfers Out - E&G			8,247 (a)		1,128 (b)		4,636 (c)		70	-		14,081
Transfers In - Auxiliary	\$8,247 (a)						10,360		35	-		18,642
Transfers Out - Auxiliary	212						476 (c)			0		688
Transfers In - Designated Operations & Service Departments	1,128 (b)									-		1,128
Transfers Out - Designated Operations & Service Departments	2,624 (d)						50			0		2,674
Transfers In - Restricted	70									-		70
Transfers Out - Restricted	169						3,200 (c)			-		3,369

(a) \$8.0M 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

April 1-2, 2021 Board of Trustees Meetings