FY2021 Q3 OSU Operating Management Report

BACKGROUND

Oregon State University's fiscal year (FY) 2021 third quarter (Q3, Jan. 1– Mar. 31, 2021) 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 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 in Attachment 1 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 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 $745.1M, expenditures are expected to total $710.0M, and transfers in and transfers out are projected to be $20.2M and $15.7M, respectively. Unrestricted net assets are projected to increase by $39.5M to total $148.1M at year's end.

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 4th quarter. The decrease in projection is due mainly to the current update of Outdoor School projecting $7.2M less as 30% of schools have chosen not to hold outdoor school classes or to host daily/virtual classes. Additionally, there is a $1.4M anticipated increase in internal sales reimbursements in Research, Vet Med, F&A recoveries and University Facilities, Infrastructure and Operations.

The ending Unrestricted Net Assets balance is projected to be 20.0% of total operating revenues, which is within the Board's established range of 10% to 20% of total operating revenues. Note that this includes money earmarked to reimburse schools for Outdoor School operations ($13M) and Ecampus revenue settle-ups to colleges (about $11M).

SELF-SUPPORT

For the fiscal year, the Self-Support Fund revenues are projected to total $157.7M, expenditures are expected to total $210.0M, and transfers in and transfers out are projected to be $20.3M and $5.0M, respectively. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total $5.7M. Unrestricted net assets are projected to decrease by $42.7M to total $(23.0M) at fiscal year-end.

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

Enrollment Fees - The realization rate is higher than the seven-year average due to a decrease in 4th quarter revenue anticipated by Student Centers and Health Services. Spring revenue posted in March and the units are not expecting large changes since the 50% tuition refund date was April 18, 2021.

Sales & Services - The realization rate is lower than the seven-year average due to COVID's continued impact on revenue earned through the 3rd quarter and UHDS and Athletics collection of revenue in the 4th quarter. The vessel operations projection of $2.9M was previously included in Sales & Service revenue projections and was reclassified to the Other Revenue projection in Q3. Actual vessel operation revenues are appropriately recorded in Other Revenue.

Other - The vessel operations projection of $2.9M was previously included in Sales & Service revenue projections and was reclassified to the Other Revenue projection in Q3. Actual vessel operation revenues are appropriately recorded in Other Revenue. Telecom increased projected revenues $1.4M related to service revenues for upgrade projects.

Personnel Services - The change in projection is due mainly to $0.7M less teaching FTE due to lower enrollment in INTO, $0.4M of projected capital project management personnel costs (funded by project fees) reallocated to E&G to offset the reduction of fees due to paused projects, and $0.4M less in Student Centers due to lower student activity on campus.

Supplies & Services & Capital Outlay - The burn rate is lower than the seven-year average due to reduced spending through Q3 and anticipated increased spending for UHDS and Telecom in Q4. The change in projection is due mainly to increases of $2.5M in UHDS and Telecom projects, $0.6M in dark fiber equipment purchases, less $2.2M in auxiliaries due to COVID-19, $1.2M in insurance reserves reclassified as transfers, and $0.7M Cascades UHDS loan restructure.

Transfers Out - The change in projection is due mainly to the reclassification of $0.7M of insurance reserve from supplies and services to transfers and $0.3M closing of education designated operations fund.

The ending Unrestricted Net Assets balance is projected to be (14.6)% of total operating revenues.

RESTRICTED

For the fiscal year, the Restricted Fund revenues are projected to total $413.6M, expenditures are expected to total $403.3M, and transfers in and transfers out are projected to be $0.1M and $4.0M, respectively. Restricted net assets are projected to increase by about $6.3M, to total $19.4M at year's end.

For Restricted Funds, there are no items of note.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee accept the FY2021 Q3 Operating Management Report.

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

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

	YTD Actual				Budget & YE Projection				
	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	Notes
(in thousands except enrollment)									
EDUCATION & GENERAL									
State General Fund	$206,190	83%	84%	$237,104	$196,336	$240,804	$247,321	$1,761	
Tuition & Resource Fees, net of Waivers	387,103	99%	99%	395,126	404,425	393,715	392,198	(881)	
Other	72,057	68%	62%	106,842	97,626	95,571	105,538	5,438	
Total Revenues	665,350			739,072	698,387	730,090	745,057	6,318	
Personnel Services	(404,961)	74%	73%	(551,933)	(527,100)	(544,498)	(546,318)	(908)	
Supplies & Services & Capital Outlay	(95,457)	**58%**	68%	(153,182)	(153,700)	(168,409)	(163,652)	**10,680**	(1)
Total Expenditures	(500,417)			(705,115)	(680,800)	(712,907)	(709,970)	9,772	
Net from Operations	164,932			33,957	17,587	17,183	35,087	16,090	
Transfers In	19,006			14,901	5,476	5,476	20,208	3,278	
Transfers Out	(13,760)			(29,681)	(34,254)	(32,691)	(15,749)	(1,668)	
Fund Additions/(Deductions)	0			0	0	0	0	0	
Change in Unrestricted Net Assets	170,178			19,177	(11,191)	(10,032)	39,546	17,700	
Beginning Unrestricted Net Assets	108,572			89,395	108,572	108,572	108,572	0	
Ending Unrestricted Net Assets	$278,750			$108,572	$97,381	$98,540	$148,118	$17,700	
% Operating Revenues				14.7%	13.9%	13.5%	19.9%		
Student FTE Enrollment-YTD Summer, Fall and Winter terms	20,276	72%	71%	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 increased spending for return of Outdoor School spending in 4th quarter. The decrease in projection is due mainly to the current update of Outdoor School projecting $7.2M less as 30% of schools have chosen not to hold outdoor school classes or to host daily/virtual classes. Additionally, there is a $1.4M anticipated increase in internal sales reimbursements in Research, Vet Med, F&A recoveries and University Facilities, Infrastructure and Operations.

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

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

	YTD Actual				Budget & YE Projection				
	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	Notes
(in thousands)									
SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments									
Enrollment Fees	$40,977	**100%**	97%	$39,608	$36,889	$29,904	$41,092	($544)	(2)
Sales & Services	47,373	**58%**	67%	138,692	143,773	98,943	81,909	**(2,254)**	(3),(4)
Other	23,989	69%	69%	41,320	37,460	29,636	34,693	**4,562**	(4),(5)
Total Revenues	112,339			219,620	218,122	158,483	157,694	1,764	
Personnel Services	(77,708)	74%	73%	(116,015)	(106,535)	(101,649)	(104,994)	**1,997**	(6)
Supplies & Services & Capital Outlay	(70,984)	**68%**	74%	(115,506)	(108,501)	(109,423)	(104,970)	**1,604**	(7)
Total Expenditures	(148,692)			(231,521)	(215,036)	(211,072)	(209,964)	3,601	
Net from Operations	(36,353)			(11,901)	3,086	(52,589)	(52,270)	5,365	
Transfers In	19,585			23,936	9,093	7,530	20,282	512	
Transfers Out	(2,953)			(10,593)	(6,236)	(6,426)	(5,024)	**(1,662)**	(8)
Additions/(Deductions) to Unrestricted Net Assets	2,728			(6,153)	(4,394)	(4,394)	(5,692)	(103)	
Change in Unrestricted Net Assets	(16,993)			(4,711)	1,549	(55,879)	(42,704)	4,112	
Beginning Unrestricted Net Assets	19,658			24,368	19,658	19,658	19,658	0	
Ending Unrestricted Net Assets	$2,665			$19,658	$21,207	($36,221)	($23,046)	$4,112	
% of Operating Revenues				9.0%	9.7%	-22.9%	-14.6%		
Total Unrestricted Net Assets				$128,230	$118,588	$62,319	$125,072		
Days of Expenditures in Total Unrestricted Funds				50	48	25	50		

(2) The realization rate is higher than the seven-year average due to a decrease in 4th quarter revenue anticipated by Student Centers and Health Services. Spring revenue posted in March and the units are not expecting large changes since the 50% tuition refund date was April 18, 2021.
(3) The realization rate is lower than the seven-year average due to COVID's continued impact on revenue earned through the 3rd quarter and UHDS and Athletics collection of revenue in the 4th quarter. The vessel operations projection of $2.9M was previously included in Sales & Service revenue projections and was reclassified to the Other Revenue projection in Q3. Actual vessel operation revenues are appropriately recorded in Other Revenue.
(4) The vessel operations projection of $2.9M was previously included in Sales & Service revenue projections and was reclassified to the Other Revenue projection in Q3. Actual vessel operation revenues are appropriately recorded in Other Revenue.
(5) Telecom increased projected revenues $1.4M related to service revenues for upgrade projects.
(6) The change in projection is due mainly to $0.7M less teaching FTE due to lower enrollment in INTO, $0.4M of capital project management personnel costs reallocated to E&G to offset the reduction of project fees and $0.4M less in Student Centers due to lower student activity on campus.
(7) The burn rate is lower than the seven-year average due to reduced spending through Q3 and anticipated increased spending for UHDS and Telecom in Q4. The change in projection is due mainly to increases of $2.5M in UHDS and Telecom projects, $0.6M in dark fiber equipment purchases less $2.2M in auxiliaries due to COVID-19, $1.2M in insurance reserves reclassified as transfers and $0.7M Cascades UHDS loan restructure.
(8) The change in projection is due mainly to the reclassification of $0.7M insurance reserve from supplies and services to transfers and $0.3M closing of education designated operations fund.

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

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

	YTD Actual				Budget & YE Projection				
	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	Notes
(in thousands)									
RESTRICTED FUNDS									
Federal	$225,934	77%	74%	$283,696	$293,648	$293,090	$295,000	$3,000	
State	15,882	76%	79%	19,892	21,976	21,590	21,000	0	
Other	68,605	70%	71%	95,292	97,784	89,181	97,600	(2,400)	
Total Revenues	310,421			398,880	413,408	403,861	413,600	600	
Personnel Services	(105,856)	74%	73%	(139,361)	(147,305)	(141,351)	(142,314)	(314)	
Supplies & Services & Capital Outlay	(201,900)	77%	76%	(251,747)	(259,560)	(258,239)	(261,000)	(3,000)	
Total Expenditures	(307,756)			(391,108)	(406,865)	(399,590)	(403,314)	(3,314)	
Net from Operations	2,665			7,772	6,543	4,271	10,286	(2,714)	
Transfers In	0			55	70	70	70	0	
Transfers Out	(3,885)			(8,396)	(3,000)	(3,000)	(4,007)	(638)	
Additions/(Deductions) to Restricted Net Assets	0			(81)	0	0	0	0	
Change in Restricted Net Assets	(1,220)			(650)	3,613	1,341	6,349	(3,352)	
Beginning Restricted Net Assets	13,083			13,733	13,083	13,083	13,083	0	
Ending Restricted Net Assets	$11,863			$13,083	$16,696	$14,424	$19,432	($3,352)	
% of Operating Revenues				3.3%	4.0%	3.6%	4.7%		

OREGON STATE UNIVERSITY **As of March 31, 2021**
Transfers schedule **For the Fiscal Year Ended June 30, 2021**
(in $000's)

			Self-Support										
	E&G		Auxiliary		Designated Operations & Service Departments		Plant fund		Restricted	Other		Total
Transfers In - E&G			$293		$2,649	(d)	$17,131		$135			$20,208
Transfers Out - E&G			8,247	(a)	1,145	(b)	6,287	(c)	70	-		15,749
Transfers In - Auxiliary	$8,247	(a)					10,609		100	-		18,956
Transfers Out - Auxiliary	293						875	(c)		0		1,168
Transfers In - Designated Operations & Service Departments	1,145	(b)					181			-		1,326
Transfers Out - Designated Operations & Service Departments	2,649	(d)					1,207			0		3,856
Transfers In - Restricted	70									-		70
Transfers Out - Restricted	134		100				3,773	(c)		-		4,007

(a) $8.0M support for athletics
(b) subsidies from E&G for supporting Desginated Operations and Service Departments
(c) transfers to plant fund for remodels and space renovations
(d) mainly transfer of royalties to E&G