

## FY2021 Q1 OSU Operating Management Report

### BACKGROUND

Oregon State University’s fiscal year 2021 first quarter (Q1, July 1–September 30, 2020) 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 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%
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. 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 Q1 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 \$742.2M, expenditures are expected to total \$724.1M, and transfers in and transfers out are projected to be \$5.2M and \$10.7M, respectively. Unrestricted net assets are projected to increase by \$12.7M to total \$121.2M 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 \$9.6M negative variance from adjusted budget for the quarter projection is due primarily to Outdoor School projecting \$10.2M higher in expenses. There is an expectation that Outdoor School will occur in spring 2021. At this time, the plan is for 6<sup>th</sup> graders to attend as well as those 7<sup>th</sup> graders who were not able to attend last year.

**Transfers Out**

The \$22.0M positive variance for the quarter is due primarily to the decision to finance E&G plant funding through the internal bank.

The ending Unrestricted Net Assets balance is projected to be 16.3% 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 \$165.3M, expenditures are expected to total \$213.6M, and transfers in and transfers out are projected to be \$9.6M and \$3.3M, respectively. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$5.5M. Unrestricted net assets are projected to decrease by \$47.5M to total \$(27.9M) 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:

#### **Enrollment Fees**

The \$11.8M positive variance from adjusted budget for the quarter projection is due primarily to higher than anticipated enrollment revenues for Student Centers and Student Health Services of \$11.5M. The original projections for revenues in these self-support units were conservative because of uncertainties in enrollment and were not fully updated in the October adjusted budget.

#### **Sales & Services**

The \$8.1M negative variance from adjusted budget for the quarter projection is due primarily to \$3.2M less than anticipated revenue in Student Experiences and Engagement, Memorial Union, Retail Food Services, and Recreational Sports and \$3.9M less in Student Health Services.

#### **Other**

The adjusted budget estimated other revenues to be 21% down. Actual current trends are showing a reduction of 13% resulting in a \$3.1M positive variance.

#### **Personnel Services**

The adjusted budget estimated personnel services to be 4.6% down. Actual trends are showing a reduction of 0.7% resulting in a \$4.2M negative variance. Service demand was higher based on the greater than anticipated revenue. Therefore, it was not necessary to reduce staffing at the levels projected.

#### **Transfers In**

The \$2.0M positive variance from adjusted budget for the quarter is due primarily to an increase in the projected funding from E&G to Athletics by \$1.3M to a total of \$7.7M, which is a \$300k reduction from the \$8.0M considered in the Athletics financial sustainability plan. The amount was increased to reflect the updated budget conditions.

The ending Unrestricted Net Assets balance is projected to be (16.9)% of total operating revenues.

### **RESTRICTED**

For the fiscal year, the Restricted Fund revenues are projected to total \$414.7M, expenditures are expected to total \$401.7M, and transfers in and transfers out are projected to be \$0.1M and \$3.0M, respectively. Restricted net assets are projected to increase by about \$10.0M, to total \$23.1M at year's end.

For Restricted funds, the following item is of note:

**Other**

The adjusted budget estimated other revenues to be 9% down. Actual revenues are trending 12% up resulting in a \$10.8M positive variance. Gift revenues have not declined as much as originally projected.

**RECOMMENDATION**

Staff recommend that the Finance & Administration Committee accept the FY2021 Q1 Operating Management Report.

**Oregon State University  
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of September 30, 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		Change from Adjusted Budget
State General Fund	\$85,639	35%	36%	\$237,104	\$196,336	\$240,804	\$245,560	\$4,756	
Tuition & Resource Fees, net of Waivers	161,420	41%	40%	395,126	404,425	393,715	394,447	\$732	
Other	16,615	16%	15%	106,842	97,626	95,571	102,203	\$6,632	
<b>Total Revenues</b>	<b>263,674</b>			<b>739,072</b>	<b>698,387</b>	<b>730,090</b>	<b>742,210</b>	<b>12,120</b>	
Personnel Services	(109,865)	20%	19%	(551,933)	(527,100)	(544,498)	(546,045)	(\$1,547)	
Supplies & Services & Capital Outlay	(29,970)	17%	20%	(153,182)	(153,700)	(168,409)	(178,011)	<b>(\$9,602)</b>	(1)
<b>Total Expenditures</b>	<b>(139,835)</b>			<b>(705,115)</b>	<b>(680,800)</b>	<b>(712,907)</b>	<b>(724,056)</b>	<b>(11,149)</b>	
<b>Net from Operations</b>	<b>123,839</b>			<b>33,957</b>	<b>17,587</b>	<b>17,183</b>	<b>18,154</b>	<b>971</b>	
Transfers In	2,761	53%	45%	14,901	5,476	5,476	5,186	(290)	
Transfers Out	(716)	7%	5%	(29,681)	(34,254)	(32,691)	(10,687)	<b>\$22,004</b>	(2)
Fund Additions/(Deductions)	0			0	0	0	0	0	
<b>Change in Unrestricted Net Assets</b>	<b>125,884</b>			<b>19,177</b>	<b>(11,191)</b>	<b>(10,032)</b>	<b>12,653</b>	<b>22,685</b>	
<b>Beginning Unrestricted Net Assets</b>	<b>108,572</b>			<b>89,395</b>	<b>108,572</b>	<b>108,572</b>	<b>108,572</b>	<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>\$234,456</b>			<b>\$108,572</b>	<b>\$97,381</b>	<b>\$98,540</b>	<b>\$121,225</b>	<b>\$22,685</b>	
% Operating Revenues				14.7%	13.9%	13.5%	16.3%		
Student FTE Enrollment-YTD Summer term only	2,667	9%	8%	28,307	28,166	28,166	28,166	0	

(1) The \$9.6M negative variance from adjusted budget for the quarter projection is due primarily to Outdoor School projecting \$10.2M higher in expenses. There is an expectation that Outdoor School will occur in spring 2021. At this time, the plan is for 6th graders to attend as well as those 7th graders who were not able to attend last year.

(2) The \$22.0M positive variance for the quarter is due primarily to the decision to finance E&G plant funding through the internal bank.

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

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

	YTD Actual				Budget & YE Projection				Notes
	A	B	C	6/30/2020	D	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Adjusted Budget 6/30/2021	YE Projected 6/30/2021	Change from Adjusted Budget	
(in thousands)									
<b>SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments</b>									
Enrollment Fees	\$15,663	38%	37%	\$39,608	\$36,889	\$29,904	\$41,701	\$11,797	(3)
Sales & Services	11,945	13%	17%	138,692	143,773	98,943	90,836	(\$8,107)	(4)
Other	5,958	18%	17%	41,320	37,460	29,636	32,768	\$3,132	(5)
<b>Total Revenues</b>	33,566			219,620	218,122	158,483	165,305	6,822	
Personnel Services	(24,883)	24%	23%	(116,015)	(106,535)	(101,649)	(105,831)	(\$4,182)	(6)
Supplies & Services & Capital Outlay	(18,094)	17%	17%	(115,506)	(108,501)	(109,423)	(107,817)	\$1,606	
<b>Total Expenditures</b>	(42,977)			(231,521)	(215,036)	(211,072)	(213,648)	(2,576)	
<b>Net from Operations</b>	(9,411)			(11,901)	3,086	(52,589)	(48,343)	4,246	
Transfers In	338	4%	10%	23,936	9,093	7,530	9,562	\$2,032	(7)
Transfers Out	(274)	8%	10%	(10,593)	(6,236)	(6,426)	(3,286)	\$3,140	
Additions/(Deductions) to Unrestricted Net Assets	(154)			(6,153)	(4,394)	(4,394)	(5,480)	(\$1,086)	
<b>Change in Unrestricted Net Assets</b>	(9,501)			(4,711)	1,549	(55,879)	(47,547)	8,332	
<b>Beginning Unrestricted Net Assets</b>	19,658			24,368	19,658	19,658	19,658	0	
<b>Ending Unrestricted Net Assets</b>	\$10,156			\$19,658	\$21,207	(\$36,221)	(\$27,889)	\$8,332	
% of Operating Revenues				9.0%	9.7%	-22.9%	-16.9%		
<b>Total Unrestricted Net Assets</b>				\$128,230	\$118,588	\$62,319	\$93,336		
<b>Days of Expenditures in Total Unrestricted Funds</b>				50	48	25	36		

- (3) The \$11.8M positive variance from adjusted budget for the quarter projection is due primarily from higher than anticipated enrollment revenues for Student Centers and Student Health of \$11.5M. The original projections for revenues in these self-support units were very conservative because of uncertainties in enrollment and were not fully updated in the October adjusted budget.
- (4) The \$8.1M negative variance from adjusted budget for the quarter projection is due primarily to \$3.2M less than anticipated revenue in Student Experiences and Engagement, Memorial Union, Retail Food Services, Recreational Sports and \$3.9M less in Student Health Services.
- (5) The adjusted budget estimated other revenues to be 21% down. Actual current trends are showing a reduction of 13% resulting in a \$3.1M positive variance.
- (6) The adjusted budget estimated personnel services to be 4.6% down. Actual trends are showing a reduction of 0.7% resulting in a \$4.2M negative variance. Service demand was higher based on the greater than anticipated revenue. Therefore, it was not necessary to reduce staffing at the levels projected.
- (7) The \$2.0M positive variance from adjusted budget for the quarter projection is due primarily to \$1.3M additional funding from E&G to Athletics.

January 28-29, 2021 Board of Trustees Meetings

**Oregon State University  
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of September 30, 2020  
For the Fiscal Year Ended June 30, 2021**

	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	Change from Adjusted Budget	
(in thousands)									
<b>RESTRICTED FUNDS</b>									
Federal	\$75,771	26%	27%	\$283,696	\$293,648	\$293,090	\$293,090	\$0	
State	6,090	28%	29%	19,892	21,976	21,590	21,590	\$0	
Other	28,573	29%	26%	95,292	97,784	89,181	100,000	\$10,819	(8)
<b>Total Revenues</b>	110,434			398,880	413,408	403,861	414,680	10,819	
Personnel Services	(38,259)	27%	27%	(139,361)	(147,305)	(141,351)	(143,500)	(\$2,149)	
Supplies & Services & Capital Outlay	(66,860)	26%	26%	(251,747)	(259,560)	(258,239)	(258,239)	\$0	
<b>Total Expenditures</b>	(105,119)			(391,108)	(406,865)	(399,590)	(401,739)	(2,149)	
<b>Net from Operations</b>	5,315			7,772	6,543	4,271	12,941	8,670	
Transfers In	0	0%	0%	55	70	70	70	\$0	
Transfers Out	(319)	11%	10%	(8,396)	(3,000)	(3,000)	(3,000)	\$0	
Additions/(Deductions) to Restricted Net Assets	0			(81)	0	0	0	\$0	
<b>Change in Restricted Net Assets</b>	4,996			(650)	3,613	1,341	10,011	8,670	
<b>Beginning Restricted Net Assets</b>	13,083			13,733	13,083	13,083	13,083	0	
<b>Ending Restricted Net Assets</b>	\$18,079			\$13,083	\$16,696	\$14,424	\$23,094	\$8,670	
% of Operating Revenues				3.3%	4.0%	3.6%	5.6%		

(8) The adjusted budget estimated other revenues to be 9% down. Actual trends are showing a 12% up resulting in a \$10.8M positive variance. Gift revenues have not shown the originally projected decline.

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

**As of September 30, 2020**  
**For the Fiscal Year Ended June 30, 2021**

	E&G	Self-Support		Plant fund	Restricted	Other	Total
		Auxiliary	Designated Operations & Service Departments				
Transfers In - E&G		\$212	\$1,949 (d)	\$2,900	\$125		\$ 5,186
Transfers Out - E&G		8,223 (a)	1,040 (b)	1,354 (c)	70	-	10,687
Transfers In - Auxiliary	\$8,223 (a)			299		-	8,522
Transfers Out - Auxiliary	212			875 (c)		0	1,087
Transfers In - Designated Operations & Service Departments	1,040 (b)					-	1,040
Transfers Out - Designated Operations & Service Departments	1,949 (d)			250		0	2,199
Transfers In - Restricted	70					-	70
Transfers Out - Restricted	125			2,875 (c)		-	3,000

(a) \$8.0M support for athletics  
 (b) E&G support for self-support operations  
 (c) transfers to plant fund for remodels and space renovations  
 (d) mainly transfer of royalties to E&G