

FY2022 Q1 OSU Operating Management Report

BACKGROUND

Oregon State University's fiscal year (FY) 2022 first quarter (Q1, July 1–September 30, 2021) 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 budget presented in the May 2021 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 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 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 FY2022 Q1 report for each major operating fund type are as follows:

EDUCATION AND GENERAL

Education and General Fund (E&G) revenues are projected to total \$776.2M, expenditures are expected to total \$757.7M, and transfers in and transfers out are projected to be \$6.9M and \$11.9M, 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 \$13.5M to total \$187.7M at year's end

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

State General Fund

The \$14.2M positive variance from budget for the quarter projection is due primarily to finalization of state appropriations for FY2022, which increased the public university support fund and state targeted programs by \$6.6M, agricultural experiment stations by \$4.4M, and outdoor school programs by \$2.5M.

The ending Unrestricted Net Assets balance is projected to be 24.2% of total operating revenues, which is above the Board's established range of 10% to 20% of total operating revenues. FY2021 ended higher than expected due to unspent Outdoor School funds and from units anticipating a return to pre-pandemic levels that had not yet occurred. Additionally, it was decided to fund capital improvement and renewal projects through the internal bank to help preserve operational cash flow.

SELF-SUPPORT

Self-Support Fund revenues are projected to total \$242.4M, expenditures are expected to total \$249.8M, and transfers in and transfers out are projected to be \$9.6M and \$11.1M, 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 \$12.2M. Unrestricted net assets are projected to decrease by \$21.0M to a total deficit of \$9.3M at year's end. This is a \$7.3M improvement from the \$16.6M budgeted deficit for unrestricted net assets presented to the Board at the May 2021 meeting.

January 27-28, 2022 Board of Trustees Meetings

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

Sales & Services

The \$12.2M positive variance from budget for the quarter projection is due primarily to increased occupancy in University Housing & Dining Services (UHDS) totaling \$11.0M.

Personnel Services

The burn rate is lower than the seven-year historical average due primarily to UHDS's projected increase in personnel for the year at a level that did not occur in Q1. Additionally, projections include a negotiated full year salary increase for unclassified staff effective July 1. While unclassified salary increases have historically begun in January, actual increases this year will be reflected in the second quarter.

Supplies & Services & Capital Outlay

The negative variance of \$5.3M is due primarily to \$2.3M increases in UHDS food and other variable costs associated with increased occupancy and a \$2.0M decrease in INTO salary reimbursement costs. INTO related salaries and benefits are charged to Personnel Services and when reimbursed, reduce S&S and Capital Outlay expenses.

The ending Unrestricted Net Assets balance is projected to be (3.8)% of total operating revenues.

RESTRICTED

For the fiscal year, the Restricted Fund revenues are projected to total \$449.5M, expenditures are expected to total \$441.0M, and transfers in and transfers out are projected to be \$0.1M and \$2.2M, respectively. Restricted net assets are projected to increase by about \$6.4M, to total \$12.1M at year's end.

For Restricted funds, there are no items of note.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee accept the FY2022 Q1 Operating Management Report.

Oregon State University
Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of September 30, 2021
For the Fiscal Year Ended June 30, 2022

(in thousands except enrollment)

EDUCATION & GENERAL

	YTD Actual				Budget & YE Projection			Notes
	A	B	C		D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	6/30/2021 Prior Yr. Actual	Budget	YE Projected 6/30/2022	Change from Budget	
State General Fund	\$92,545	36%	36%	\$247,675	\$245,851	\$260,016	\$14,165	(1)
Tuition & Resource Fees, net of Waivers	163,138	40%	40%	389,707	415,446	409,685	(5,761)	
Other	17,552	16%	15%	110,494	107,748	106,547	(1,201)	
Total Revenues	273,235			747,876	769,045	776,248	7,203	
Personnel Services	(111,769)	19%	19%	(552,317)	(578,571)	(580,899)	(2,328)	
Supplies & Services & Capital Outlay	(34,226)	19%	20%	(140,734)	(181,660)	(176,830)	4,830	
Total Expenditures	(145,995)			(693,051)	(760,231)	(757,729)	2,502	
Net from Operations	127,240			54,825	8,814	18,519	9,705	
Transfers In	3,294			27,270	3,214	6,859	3,645	
Transfers Out	(760)			(16,484)	(14,216)	(11,856)	2,360	
Fund Additions/(Deductions)	(0)			0	0	0	0	
Change in Unrestricted Net Assets	129,774			65,611	(2,188)	13,522	15,710	
Beginning Unrestricted Net Assets	174,183			108,572	174,183	174,183	0	
Ending Unrestricted Net Assets	<u>\$303,957</u>			<u>\$174,183</u>	<u>\$171,995</u>	<u>\$187,705</u>	<u>\$15,710</u>	
% Operating Revenues				23.3%	22.4%	24.2%		
Student FTE Enrollment-YTD Summer term only	2,435	8%	8%	28,355	28,780	28,780	0	

(1) The \$14.2M positive variance from budget for the quarter projection is due primarily to finalization of state appropriations for FY2022, which increased the public university support fund and state targeted programs by \$6.6M, agricultural experiment stations by \$4.4M and outdoor school programs by \$2.5M.

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Oregon State University
Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of September 30, 2021
For the Fiscal Year Ended June 30, 2022

(in thousands)

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2021 Prior Yr. Actual	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %		Budget	YE Projected 6/30/2022	Change from Budget	
Enrollment Fees	\$16,038	37%	37%	\$41,503	\$41,703	\$43,422	\$1,719	
Sales & Services	17,618	11%	16%	84,982	147,321	159,535	12,214	(2)
Other	5,265	13%	17%	34,548	38,290	39,477	1,187	
Total Revenues	38,921			161,033	227,314	242,434	15,120	
Personnel Services	(25,257)	20.8%	23%	(103,660)	(122,402)	(121,432)	970	(3)
Supplies & Services & Capital Outlay	(18,284)	14%	18%	(91,074)	(122,982)	(128,327)	(5,345)	(4)
Total Expenditures	(43,541)			(194,734)	(245,384)	(249,759)	(4,375)	
Net from Operations	(4,620)			(33,701)	(18,070)	(7,325)	10,745	
Transfers In	174			39,507	9,085	9,565	480	
Transfers Out	(4,057)			(5,529)	(7,094)	(11,071)	(3,977)	
Additions/(Deductions) to Unrestricted Net Assets	5,497			(8,209)	(12,274)	(12,209)	65	
Change in Unrestricted Net Assets	(3,006)			(7,932)	(28,353)	(21,040)	7,313	
Beginning Unrestricted Net Assets	11,725			19,658	11,725	11,725	0	
Ending Unrestricted Net Assets	\$8,719			\$11,725	(\$16,628)	(\$9,315)	\$7,313	
% of Operating Revenues				7.3%	-7.3%	-3.8%		
Total Unrestricted Net Assets					\$155,367	\$178,390		
Days of Expenditures in Total Unrestricted Funds					56	65		

(2) The \$12.2M positive variance from budget for the quarter projection is due primarily to increased occupancy in UHDS totaling \$11.0M.

(3) The burn rate is lower than the seven-year historical average due primarily to UHDS's projected increase in personnel for the year at a level that did not occur in Q1. Additionally, projections of a negotiated full year salary increase for unclassified staff effective July 1. While unclassified salary increases have historically begun in January, actual increases this year will be reflected in the second quarter.

(4) The negative variance of \$5.3M is due primarily to \$2.3M increases in UHDS food and other variable costs associated with increased occupancy and a \$2.0M decrease in INTO salary reimbursement costs. INTO related salaries and benefits are charged to Personnel Services and when reimbursed, reduce S&S and Capital Outlay expenses.

January 27-28, 2022 Board of Trustees Meetings

Oregon State University
Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of September 30, 2021
For the Fiscal Year Ended June 30, 2022

(in thousands)

RESTRICTED FUNDS

	YTD Actual				Budget & YE Projection			Notes
	A	B	C	6/30/2021 Prior Yr. Actual	D	E	F	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %		Budget	YE Projected 6/30/2022	Change from Budget	
Federal	\$80,431	25%	27%	\$313,306	\$324,500	\$324,500	\$0	
State	7,794	32%	29%	23,890	22,890	24,500	1,610	
Other	29,282	29%	28%	90,173	100,528	100,528	0	
Total Revenues	117,507			427,369	447,918	449,528	1,610	
Personnel Services	(41,378)	27%	27%	(145,842)	(148,006)	(150,981)	(2,975)	
Supplies & Services & Capital Outlay	(65,485)	23%	26%	(260,602)	(292,320)	(290,000)	2,320	
Total Expenditures	(106,863)			(406,444)	(440,326)	(440,981)	(655)	
Net from Operations	10,644			20,925	7,592	8,547	955	
Transfers In	0			3	14	70	56	
Transfers Out	(3,323)			(28,287)	(3,500)	(2,235)	1,265	
Additions/(Deductions) to Restricted Net Assets	(0)			0	0	0	0	
Change in Restricted Net Assets	7,321			(7,359)	4,106	6,382	2,276	
Beginning Restricted Net Assets	5,724			13,083	5,724	5,724	0	
Ending Restricted Net Assets	<u>\$13,045</u>			<u>\$5,724</u>	<u>\$9,830</u>	<u>\$12,106</u>	<u>\$2,276</u>	
% of Operating Revenues				1.3%	2.2%	2.7%		

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

As of September 30, 2021
For the Fiscal Year Ended June 30, 2022

			Self-Support								
	E&G		Auxiliary		Designated Operations & Service Departments		Plant fund		Restricted	Other	Total
Transfers In - E&G			\$819		\$2,865 (d)		\$1,059		\$2,116		\$6,859
Transfers Out - E&G			8,101 (a)		1,177 (b)		2,508 (c)		70		11,856
Transfers In - Auxiliary	\$8,101 (a)						37				8,138
Transfers Out - Auxiliary	819						6,988 (c)				7,807
Transfers In - Designated Operations & Service Departments	1,177 (b)						131		119		1,427
Transfers Out - Designated Operations & Service Departments	2,865 (d)						399				3,264
Transfers In - Restricted	70										70
Transfers Out - Restricted	2,116		119								2,235

(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

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