

FY2019 Q3 Operating Management Report

BACKGROUND

Oregon State University's Fiscal Year 2019 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 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.

The breakdown and discussion of the variances in the FY2019 Q3 report for each major operating fund type is as follows:

EDUCATION AND GENERAL FUND

For the fiscal year, the Education and General Fund (E&G) revenues are projected to total \$696.7M, expenditures are expected to total \$680.0M, and transfers in and transfers out are projected to be \$9.6M and \$27.4M, respectively. Unrestricted net assets are projected to decrease by \$1.1M to total \$96.8M at year’s end.

No items are flagged for Q3. All burn rates, realization rates and changes in projections are within the established tolerances.

The ending Unrestricted Net Assets balance is projected to be 13.9% of total operating revenues, which is within the Board’s established range of 10% to 20% of total operating revenues.

SELF-SUPPORT FUND

For the fiscal year, the Self-Support Fund revenues are projected to total \$246.1M, expenditures are expected to total \$239.9M, and transfers in and transfers out are projected to be \$10.1M and \$22.5M, respectively. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$8.0M. Unrestricted net assets are projected to decrease \$14.2M to total \$21.2M at year’s end.

No items are flagged for Q3. All burn rates, realization rates and changes in projections are within the established tolerances.

RESTRICTED FUND

For the fiscal year, the Restricted Fund revenues are projected to total \$361.1M, expenditures are expected to total \$353.2M, and transfers in and transfers out are projected to be \$0.1M and \$4.3M, respectively. Restricted net assets are projected to increase by about \$3.6M, to total \$14.3M at year’s end.

No items are flagged for Q3. All burn rates, realization rates and changes in projections are within the established tolerances.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee accept the FY2019 Q3 Operating Management Report.

**Oregon State University
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of March 31, 2019
For the Fiscal Year Ended June 30, 2019**

(in thousands except enrollment)

EDUCATION & GENERAL

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2018	D	Adjusted	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Budget 6/30/2019	Projected Variance from Budget	YE Projected 6/30/2019	Chg from prior qtr. projection	
State General Fund	\$175,326	82%	84%	\$199,262	\$207,782	\$207,782	\$5,213	212,995	\$0	
Tuition & Resource Fees, net of Waivers	374,478	98%	99%	367,279	394,787	385,716	(12,725)	382,062	(1,373)	
Other	62,663	62%	62%	100,404	99,331	99,331	2,286	101,617	1,160	
Total Revenues	612,467			666,945	701,900	692,829	(5,226)	696,674	(213)	
Personnel Services	(388,311)	74%	73%	(503,433)	(533,038)	(533,038)	7,026	(526,012)	2,290	
Supplies & Services & Capital Outlay	(99,837)	65%	67%	(138,982)	(156,982)	(156,982)	2,930	(154,052)	5,690	
Total Expenditures	(488,148)			(642,415)	(690,020)	(690,020)	9,956	(680,064)	7,980	
Net from Operations	124,319			24,530	11,880	2,809	4,730	16,610	7,767	
Transfers In	8,101	84%	80%	3,339	4,662	4,682	4,978	9,640	81	
Transfers Out	(22,231)	81%	75%	(24,466)	(21,666)	(23,664)	(5,703)	(27,369)	(5,784)	
Fund Additions/(Deductions)	0			0	0	0	0	0	0	
Change in Unrestricted Net Assets	110,189			3,403	(5,124)	(16,173)	4,005	(1,119)	2,064	
Beginning Unrestricted Net Assets	97,933			94,530	97,933	97,933	0	97,933	0	
Ending Unrestricted Net Assets	<u>\$208,122</u>			<u>\$97,933</u>	<u>\$92,809</u>	<u>\$81,760</u>	<u>\$4,005</u>	<u>\$96,814</u>	<u>\$2,064</u>	
% Operating Revenues				14.7%	13.2%	11.8%		13.9%		
Student FTE Enrollment-YTD Summer thru Winter terms only	19,995	70%	71%	27,813	28,547	28,044	(503)	28,044	0	

Oregon State University
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(in thousands)

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2018	D	Adjusted	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Budget 6/30/2019	Projected Variance from Budget	YE Projected 6/30/2019	Chg from prior qtr. projection	
Enrollment Fees	\$38,369	96%	96%	\$39,093	\$41,675	\$39,939	(\$1,892)	39,783	\$58	
Sales & Services	103,390	63%	64%	161,623	163,571	164,082	1,233	164,804	(2,361)	
Other	30,437	73%	70%	39,662	37,777	41,002	3,722	41,499	217	
Total Revenues	172,196			240,378	243,023	245,023	3,063	246,086	(2,086)	
Personnel Services	(86,825)	74%	73%	(117,183)	(121,152)	(121,317)	3,420	(117,732)	2,350	
Supplies & Services & Capital Outlay	(93,854)	77%	73%	(121,206)	(114,973)	(118,343)	(7,180)	(122,153)	(2,192)	
Total Expenditures	(180,679)			(238,389)	(236,125)	(239,660)	(3,760)	(239,885)	158	
Net from Operations	(8,483)			1,989	6,898	5,363	(697)	6,201	(1,928)	
Transfers In	9,116	90%	83%	11,169	9,216	8,714	857	10,073	1,044	
Transfers Out	(18,882)	84%	74%	(13,509)	(17,897)	(19,164)	(4,587)	(22,484)	(2,116)	
Additions/(Deductions) to Unrestricted Net Assets	(719)			(6,648)	(7,887)	(7,881)	(77)	(7,964)	(108)	
Change in Unrestricted Net Assets	(18,968)			(6,999)	(9,670)	(12,968)	(4,504)	(14,174)	(3,108)	
Beginning Unrestricted Net Assets	35,372			42,371	35,372	35,372	0	35,372	0	
Ending Unrestricted Net Assets	\$16,404			\$35,372	\$25,702	\$22,404	(\$4,504)	\$21,198	(\$3,108)	
% of Operating Revenues				14.7%	10.6%	9.1%		8.6%		
Total Unrestricted Net Assets				\$133,305	\$118,511	\$104,164		\$118,527		
Days of Expenditures in Total Unrestricted Funds				55	47	41		47		

**Oregon State University
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of March 31, 2019
For the Fiscal Year Ended June 30, 2019**

(in thousands)

RESTRICTED FUNDS

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2018	D	Adjusted	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Budget 6/30/2019	Projected Variance from Budget	YE Projected 6/30/2019	Chg from prior qtr. projection	
Federal	\$174,053	72%	75%	\$240,697	\$247,401	\$247,401	(\$4,606)	242,795	(\$2,058)	
State	14,951	77%	77%	17,638	20,940	21,336	(1,406)	19,534	801	
Other	68,537	69%	65%	93,993	93,000	96,550	5,727	98,727	35	
Total Revenues	257,541			352,328	361,341	365,287	(285)	361,056	(1,222)	
Personnel Services	(98,607)	73%	74%	(134,789)	(141,336)	(141,336)	5,828	(135,508)	2,992	
Supplies & Services & Capital Outlay	(163,812)	75%	76%	(215,222)	(218,000)	(219,534)	283	(217,717)	(753)	
Total Expenditures	(262,419)			(350,011)	(359,336)	(360,870)	6,111	(353,225)	2,239	
Net from Operations	(4,878)			2,317	2,005	4,417	5,826	7,831	1,017	
Transfers In	15	20%	12%	323	350	350	(276)	74	(33)	
Transfers Out	(3,184)	74%	70%	(1,276)	(6,100)	(6,100)	1,812	(4,288)	1,832	
Additions/(Deductions) to Restricted Net Assets	(0)			0	0	0	0	0	0	
Change in Restricted Net Assets	(8,047)			1,364	(3,745)	(1,333)	7,362	3,617	2,816	
Beginning Restricted Net Assets	10,716			9,352	10,716	10,716	0	10,716	0	
Ending Restricted Net Assets	\$2,669			\$10,716	\$6,971	\$9,383	\$7,362	\$14,333	\$2,816	
% of Operating Revenues				3.0%	1.9%	2.6%		4.0%		

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

As of March 31, 2019
For the Fiscal Year Ended June 30, 2019

	E&G	Self-Support		Plant fund	Restricted	Other	Total
		Auxiliary	Designated Operations & Service Departments				
Transfers In - E&G		\$3,844	\$4,992 (d)	\$684	\$120		\$ 9,640
Transfers Out - E&G		7,522 (a)	2,099 (b)	17,674 (c)	74	-	27,369
Transfers In - Auxiliary	\$7,522 (a)			352		-	7,874
Transfers Out - Auxiliary	3,844			13,172 (c)		225	17,241
Transfers In - Designated Operations & Service Departments	2,099 (b)			100		-	2,199
Transfers Out - Designated Operations & Service Departments	4,992 (d)			251		0	5,243
Transfers In - Restricted	74					-	74
Transfers Out - Restricted	120			4,168 (c)		-	4,288

- (a) mainly support for athletics-\$7.3M
- (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

July 30, 2019 Board of Trustees Meeting