

FY2020 Q2 OSU Operating Management Report

BACKGROUND

Oregon State University's fiscal year (FY) 2020 Second Quarter (Q2) 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. 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 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 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 FY2020 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 \$746.3M, expenditures are expected to total \$720.2M, and transfers in and transfers out are projected to be \$6.1M and \$30.4M, respectively. Unrestricted net assets are projected to increase by \$1.8M to total \$91.2M at year’s end. Refer to the transfers schedule for details about how this impacts the change to unrestricted net assets.

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

State General Fund

The increase in the projection of \$13.9M is due primarily to the final legislatively adopted appropriations for public universities (in July 2019) being significantly larger than estimates used in the initial budget materials presented to the board in May 2019.

Supplies & Services & Capital Outlay

The increase in the projection of \$9.6M is associated with the increase in state general fund noted above.

The ending Unrestricted Net Assets balance is projected to be 12.2% 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 \$257.4M, expenditures are expected to total \$249.9M, and transfers in and transfers out are projected to be \$9.3M and \$9.6M, respectively. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$4.0M. Unrestricted net assets are projected to increase by \$3.2M to total \$27.6M at year’s end. Please refer to the transfers schedule for details about how this impacts the change to unrestricted net assets.

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

Personnel Services

The decrease in the projection is due primarily to savings generated from ongoing and new vacancies within University Housing and Dining Services (UHDS) (\$1.0M), Student Health (\$1.5M) and Student Centers (\$0.9M).

The ending Unrestricted Net Assets balance is projected to be 10.8% of total operating revenues. For most self-support units, net assets as a percent of operating revenues are greater than 25%. Exceptions are Athletics at (81%), working within the Athletics financial sustainability plan, and UHDS at 4%, as a result of planned use of funds for capital renewal, which will continue through the end of FY20. In FY2021, UHDS restarts its cycle of building capital reserves for future projects.

RESTRICTED

For the fiscal year, the Restricted Fund revenues are projected to total \$425.0M, expenditures are expected to total \$420.0M, and transfers in and transfers out are projected to be \$0.1M and \$2.1M, respectively. Deductions from restricted net assets represents the correction of a prior year entry totaling \$0.1M from Self-Support to Restricted. Restricted net assets are projected to increase by about \$2.9M, to total \$16.6M at year's end.

For Restricted funds, the following items are of note:

Federal

The decrease in projected revenues of \$13.3M is due to delayed spending on the Regional Class Research Vessel due to a change in design firms. Since costs for constructing the ships were not incurred, we did not receive federal funds to reimburse those costs.

Supplies & Services & Capital Outlay

The decrease in projected expenses of \$13.3M is due to delayed spending on the Regional Class Research Vessel noted above.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee accept the FY2020 Second Quarter Operating Management Report.

Oregon State University
 Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of December 31, 2019
 For the Fiscal Year Ended June 30, 2020

(in thousands except enrollment)

EDUCATION & GENERAL

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2019	D	E	F	G		
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Adjusted Budget 6/30/2020	Projected Variance from Budget	YE Projected 6/30/2020	Chg from prior qtr. projection	
State General Fund	\$141,953	59%	59%	\$212,449	\$226,761	\$226,761	\$13,907	\$240,668	\$13,907	(1)
Tuition & Resource Fees, net of Waivers	271,273	68%	68%	379,028	397,865	398,997	488	398,353	(644)	
Other	43,660	41%	37%	101,693	102,086	105,586	5,166	107,252	1,666	
Total Revenues	456,886			693,170	726,712	731,344	19,561	746,273	14,929	
Personnel Services	(254,718)	47%	46%	(525,225)	(540,495)	(540,495)	(4,219)	(544,714)	(4,219)	
Supplies & Services & Capital Outlay	(77,363)	44%	46%	(156,339)	(165,873)	(165,873)	(9,616)	(175,489)	(9,616)	(2)
Total Expenditures	(332,081)			(681,564)	(706,368)	(706,368)	(13,835)	(720,203)	(13,835)	
Net from Operations	124,805			11,606	20,344	24,976	5,726	26,070	1,094	
Transfers In	3,464	57%	60%	10,013	3,709	3,709	2,409	6,118	2,409	
Transfers Out	(22,558)	74%	70%	(30,157)	(24,647)	(24,677)	(5,777)	(30,424)	(5,747)	
Fund Additions/(Deductions)	(0)			0	0	0	0	0	0	
Change in Unrestricted Net Assets	105,711			(8,538)	(594)	4,008	2,358	1,764	(2,244)	
Beginning Unrestricted Net Assets	89,395			97,933	89,395	89,395	0	89,395	0	
Ending Unrestricted Net Assets	\$195,106			\$89,395	\$88,801	\$93,403	\$2,358	\$91,159	(\$2,244)	
% Operating Revenues				12.9%	12.2%	12.8%		12.2%		
Student FTE Enrollment-YTD Summer thru fall term only	11,482	39%	40%	28,214	29,162	29,162	0	29,162	0	

(1) The increase in projection of \$13.9M is due primarily to the final legislatively approved budget for public universities by the HECC.

(2) The increase in projection of \$9.6M is associated with the increase in state general fund noted above.

**Oregon State University
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of December 31, 2019
For the Fiscal Year Ended June 30, 2020**

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2019	D	Adjusted	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Budget 6/30/2020	Projected Variance from Budget	YE Projected 6/30/2020	Chg from prior qtr. projection	
(in thousands)										
SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments										
Enrollment Fees	\$27,216	66%	66%	\$39,230	\$40,928	\$40,928	\$127	\$41,055	\$127	
Sales & Services	70,240	41%	42%	164,766	173,280	173,285	(2,398)	170,882	(2,403)	
Other	18,186	41%	40%	42,927	43,169	43,164	1,219	44,388	1,224	
Total Revenues	115,642			246,923	257,377	257,377	(1,052)	256,325	(1,052)	
Personnel Services	(57,859)	47%	48%	(116,924)	(125,262)	(125,262)	3,172	(122,090)	3,172	(3)
Supplies & Services & Capital Outlay	(60,000)	48%	48%	(124,022)	(124,611)	(124,611)	(1,679)	(126,290)	(1,679)	
Total Expenditures	(117,859)			(240,946)	(249,873)	(249,873)	1,493	(248,380)	1,493	
Net from Operations	(2,217)			5,977	7,504	7,504	441	7,945	441	
Transfers In	7,852	85%	80%	12,023	9,322	9,322	(40)	9,282	(40)	
Transfers Out	(5,162)	53%	60%	(22,108)	(9,608)	(9,608)	(78)	(9,686)	(78)	
Additions/(Deductions) to Unrestricted Net Assets	(278)			28,476	(4,028)	(4,028)	(210)	(4,238)	(210)	
Change in Unrestricted Net Assets	195			24,368	3,190	3,190	113	3,303	113	
Beginning Unrestricted Net Assets	24,368			0	24,368	24,368	0	24,368	0	
Ending Unrestricted Net Assets	\$24,563			\$24,368	\$27,558	\$27,558	\$113	\$27,671	\$113	
% of Operating Revenues				9.9%	10.7%	10.7%		10.8%		
Total Unrestricted Net Assets				\$113,763	\$116,359	\$120,961		\$118,831		
Days of Expenditures in Total Unrestricted Funds				45	44	46		45		

(3) Change from prior projection decrease is due primarily to savings generated from ongoing and new vacancies within Housing and Dining, Student Health and Student Centers.

Oregon State University
 Quarterly Operating Management Report

As of December 31, 2019
 For the Fiscal Year Ended June 30, 2020

(Unaudited, for management purposes only)

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2019	D	Adjusted	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Budget 6/30/2020	Projected Variance from Budget	YE Projected 6/30/2020	Chg from prior qtr. projection	
(in thousands)										
RESTRICTED FUNDS										
Federal	\$136,122	45%	49%	\$248,123	\$246,437	\$248,000	\$53,563	\$300,000	(\$13,300)	(4)
State	8,541	43%	47%	20,139	19,924	20,306	76	20,000	(306)	
Other	47,166	45%	45%	97,158	100,701	101,674	4,299	105,000	3,326	
Total Revenues	191,829			365,420	367,062	369,980	57,938	425,000	(10,280)	
Personnel Services	(71,083)	51%	50%	(134,831)	(138,219)	(140,000)	(1,781)	(140,000)	0	
Supplies & Services & Capital Outlay	(134,500)	48%	52%	(222,042)	(226,426)	(228,000)	(53,574)	(280,000)	13,300	(5)
Total Expenditures	(205,583)			(356,873)	(364,645)	(368,000)	(55,355)	(420,000)	13,300	
Net from Operations	(13,754)			8,547	2,417	1,980	2,583	5,000	3,020	
Transfers In	26	35%	30%	384	75	75	0	75	0	
Transfers Out	(556)	26%	25%	(5,915)	(2,140)	(2,140)	0	(2,140)	0	
Additions/(Deductions) to Restricted Net Assets	(81)			0	0	(81)	(81)	(81)	0	
Change in Restricted Net Assets	(14,365)			3,016	352	(166)	2,502	2,854	3,020	
Beginning Restricted Net Assets	13,733			10,716	13,733	13,733	0	13,733	0	
Ending Restricted Net Assets	(\$632)			\$13,733	\$14,085	\$13,567	\$2,502	\$16,587	\$3,020	
% of Operating Revenues				3.8%	3.8%	3.7%		3.9%		

(4) Change from prior projection is due to delayed spending on the RCRV project from changing to a new architect on the project.

(5) Change from prior projection is due to delayed spending on the RCRV project from changing to a new architect on the project.

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

As of December 31, 2019
For the Fiscal Year Ended June 30, 2020

	Self-Support				Plant fund	Restricted	Total
	E&G	Auxiliary	Designated Operations & Service Departments				
Transfers In - E&G		\$248	\$2,877 (d)		\$2,873	\$120	\$ 6,118
Transfers Out - E&G		7,791 (a)	1,471 (b)		21,087 (c)	75	30,424
Transfers In - Auxiliary	\$7,791 (a)					20	7,811
Transfers Out - Auxiliary	248				6,311 (c)		6,559
Transfers In - Designated Operations & Service Departments	1,471 (b)						1,471
Transfers Out - Designated Operations & Service Departments	2,877 (d)				250 (c)		3,127
Transfers In - Restricted	75						75
Transfers Out - Restricted	120	20			2,000 (c)		2,140

- (a) mainly support for athletics-\$7.8M
- (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