

FY2019 Q1 OSU Operating Management Report

BACKGROUND

Oregon State University's FY2019 First Quarter (Q1) 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. 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 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 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 \$692.8M, expenditures are expected to total \$690.0M, and transfers in and transfers out are projected to be \$4.9M and \$23.7M, respectively. Unrestricted net assets are projected to decrease by \$15.9M to total \$82.0M at year’s end. Please refer to the transfers schedule for details about the how this impacts the change to unrestricted net assets.

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

Tuition & Resource Fees, net of Waivers

The \$9.1M decrease in Tuition & Resource Fees, after netting out tuition waivers, is due mainly to a shortfall of approximately 1.8% in fall enrollment from budget.

The ending Unrestricted Net Assets balance is projected to be 11.8% 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 \$245.0M, expenditures are expected to total \$240.0M, and transfers in and transfers out are projected to be \$8.7M and \$19.2M, respectively. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$7.9M. Unrestricted net assets are projected to decrease \$13.0M to total \$22.4M 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 funds, the following items are of note:

Other

The \$3.2M increase from the prior projection is due mainly to Vessel Oceanus operations now being recorded as a service center. This activity was previously recorded in restricted funds.

Supplies & Services & Capital Outlay

The \$3.4M change in projection consists mainly of a \$1.4M increase in designated operations administration costs, a \$1.2M increase from Vessel Oceanus operations, a \$1.2M increase in student health insurance premiums, offset by a \$0.7M decrease in professional and continuing education expenses that are now being paid by the College of Business. The remaining \$0.3M comprises a number of other small changes.

The ending Unrestricted Net Assets balance is projected to be 9.1% 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 sustainability plan, and University Housing and Dining Services (UHDS) at 11% as a result of planned use of funds for capital renewal, which will continue through FY2020. 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 \$365.3M, expenditures are expected to total \$360.9M, and transfers in and transfers out are projected to be \$0.4M and \$6.1M, respectively. Restricted net assets are projected to decrease by about \$1.3M, to total \$9.4M at year's end.

No items are flagged for Q1. 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 First Quarter Operating Management Report.

**Oregon State University
Quarterly Operating Management Report**

**As of September 30, 2018
For the Fiscal Year Ended June 30, 2019**

(Unaudited, for management purposes only)

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2018	D	E	F	G		
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Adjusted Budget 6/30/2019	Projected Variance from Budget	YE Projected 6/30/2019	Chg from prior qtr. projection	
(in thousands except enrollment)										
EDUCATION & GENERAL										
State General Fund	\$73,319	35%	36%	\$199,262	\$207,782	\$207,782	\$0	207,782	\$0	
Tuition & Resource Fees, net of Waivers	152,159	39%	40%	367,279	394,787	385,716	(9,071)	385,716	(9,071)	(1)
Other	14,697	15%	15%	100,404	99,331	99,331	0	99,331	0	
Total Revenues	240,175			666,945	701,900	692,829	(9,071)	692,829	(9,071)	
Personnel Services	(101,450)	19%	19%	(503,433)	(533,038)	(533,038)	0	(533,038)	0	
Supplies & Services & Capital Outlay	(27,887)	18%	21%	(138,982)	(156,982)	(156,982)	0	(156,982)	0	
Total Expenditures	(129,337)			(642,415)	(690,020)	(690,020)	0	(690,020)	0	
Net from Operations	110,838			24,530	11,880	2,809	(9,071)	2,809	(9,071)	
Transfers In	389	8%	10%	3,339	4,662	4,682	255	4,917	255	
Transfers Out	(3,274)	14%	15%	(24,466)	(21,666)	(23,664)	(1,998)	(23,664)	(1,998)	
Fund Additions/(Deductions)	0			0	0	0	0	0	0	
Change in Unrestricted Net Assets	107,953			3,403	(5,124)	(16,173)	(10,814)	(15,938)	(10,814)	
Beginning Unrestricted Net Assets	97,933			94,530	97,933	97,933	0	97,933	0	
Ending Unrestricted Net Assets	\$205,886			\$97,933	\$92,809	\$81,760	(\$10,814)	\$81,995	(\$10,814)	
% Operating Revenues				14.7%	13.2%	11.8%		11.8%		
Student FTE Enrollment-YTD Summer term only	2,423	8%	8%	27,813	28,547	28,044	(503)	28,044	(503)	

(1) The \$9.1M decrease in projection is due mainly to a fall enrollment decline of approximately 1.8% from budget.

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For the Fiscal Year Ended June 30, 2019**

	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	
(in thousands)										
SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments										
Enrollment Fees	\$14,445	36%	37%	\$39,093	\$41,675	\$39,939	(\$1,736)	39,939	(\$1,736)	
Sales & Services	24,614	15%	17%	161,623	163,571	164,082	511	164,082	511	
Other	6,729	16%	18%	39,662	37,777	41,002	3,225	41,002	3,225	(2)
Total Revenues	45,788			240,378	243,023	245,023	2,000	245,023	2,000	
Personnel Services	(27,767)	23%	23%	(117,183)	(121,152)	(121,317)	(165)	(121,317)	(165)	
Supplies & Services & Capital Outlay	(24,076)	20%	17%	(121,206)	(114,973)	(118,343)	(3,370)	(118,343)	(3,370)	(3)
Total Expenditures	(51,843)			(238,389)	(236,125)	(239,660)	(3,535)	(239,660)	(3,535)	
Net from Operations	(6,055)			1,989	6,898	5,363	(1,535)	5,363	(1,535)	
Transfers In	379	4%	5%	11,169	9,216	8,714	(502)	8,714	(502)	
Transfers Out	(4,683)	24%	25%	(13,509)	(17,897)	(19,164)	(1,267)	(19,164)	(1,267)	
Additions/(Deductions) to Unrestricted Net Assets	(2)	n/a		(6,648)	(7,887)	(7,881)	6	(7,881)	6	
Change in Unrestricted Net Assets	(10,361)			(6,999)	(9,670)	(12,968)	(3,298)	(12,968)	(3,298)	
Beginning Unrestricted Net Assets	35,372			42,371	35,372	35,372	0	35,372	0	
Ending Unrestricted Net Assets	\$25,011			\$35,372	\$25,702	\$22,404	(\$3,298)	\$22,404	(\$3,298)	
% of Operating Revenues				14.7%	10.6%	9.1%		9.1%		
Total Unrestricted Net Assets				\$133,305	\$118,511	\$104,164		\$104,399		
Days of Expenditures in Total Unrestricted Funds				55	47	41		41		

(2) The primary reason for the increase in other revenues is that the Vessel Oceanus operations are now being recorded as a service center. This accounts for a \$3.0M increase. Previously recorded in restricted funds.

(3) The change in projection mainly consists of \$1.4M increase in designated operations administration costs, \$1.2M increase from Vessel Oceanus operations, \$1.2M increase in student health insurance premiums, offset by a decrease of \$0.7M in professional and continuing education expenses that will now be paid by the college of business. Previously recorded in designated operations.

Oregon State University
 Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of September 30, 2018
 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	E	F	G		
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Adjusted Budget 6/30/2019	Projected Variance from Budget	YE Projected 6/30/2019	Chg from prior qtr. projection	
Federal	\$65,295	26%	28%	\$240,697	\$247,401	\$247,401	\$0	247,401	\$0	
State	5,714	27%	24%	17,638	20,940	21,336	396	21,336	396	
Other	25,679	27%	24%	93,993	93,000	96,550	3,550	96,550	3,550	
Total Revenues	96,688			352,328	361,341	365,287	3,946	365,287	3,946	
Personnel Services	(37,497)	27%	27%	(134,789)	(141,336)	(141,336)	0	(141,336)	0	
Supplies & Services & Capital Outlay	(56,506)	26%	26%	(215,222)	(218,000)	(219,534)	(1,534)	(219,534)	(1,534)	
Total Expenditures	(94,003)			(350,011)	(359,336)	(360,870)	(1,534)	(360,870)	(1,534)	
Net from Operations	2,685			2,317	2,005	4,417	2,412	4,417	2,412	
Transfers In	3	1%	0%	323	350	350	0	350	0	
Transfers Out	(129)	2%	10%	(1,276)	(6,100)	(6,100)	0	(6,100)	0	
Additions/(Deductions) to Restricted Net Assets	(0)			0	0	0	0	0	0	
Change in Restricted Net Assets	2,559			1,364	(3,745)	(1,333)	2,412	(1,333)	2,412	
Beginning Restricted Net Assets	10,716			9,352	10,716	10,716	0	10,716	0	
Ending Restricted Net Assets	<u>\$13,275</u>			<u>\$10,716</u>	<u>\$6,971</u>	<u>\$9,383</u>	<u>\$2,412</u>	<u>\$9,383</u>	<u>\$2,412</u>	
% of Operating Revenues				3.0%	1.9%	2.6%		2.6%		

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

As of September 30, 2018
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		\$270	\$4,372 (d)	\$175	\$100		\$ 4,917	
Transfers Out - E&G		7,360 (a)	1,354 (b)	14,600 (c)	350	-	23,664	
Transfers In - Auxiliary	\$7,360 (a)					-	7,360	
Transfers Out - Auxiliary	270			14,297 (c)		225	14,792	
Transfers In - Designated Operations & Service Departments	1,354 (b)					-	1,354	
Transfers Out - Designated Operations & Service Departments	4,372 (d)					0	4,372	
Transfers In - Restricted	350					-	350	
Transfers Out - Restricted	100			6,000 (c)		-	6,100	

- (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

January 17-18, 2019 Board of Trustees Meetings