

FY2020 Q1 OSU Operating Management Report

BACKGROUND

Oregon State University’s fiscal year (FY) 2020 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 FY2020 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 \$731.3M, expenditures are expected to total \$706.4M, and transfers in and transfers out are projected to be \$3.7M and \$24.7M, respectively. Unrestricted net assets are projected to increase by \$4.0M to total \$93.4M at year’s end. Refer to the transfers schedule for details about how this impacts the change to unrestricted net assets.

No items are flagged for Q1. All burn rates, realization rates and changes in projections are within the established tolerances.

The ending Unrestricted Net Assets balance is projected to be 12.8% 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 \$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.

No items are flagged for Q1. All burn rates, realization rates and changes in projections are within the established tolerances.

The ending Unrestricted Net Assets balance is projected to be 10.7% 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 financial sustainability plan, and University Housing and Dining Services at 4%, 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 \$435.3M, expenditures are expected to total \$433.3M, and transfers in and transfers out are projected to be \$0.1M and \$2.2M, respectively. Restricted net assets are projected to decrease by about \$0.2M, to total \$13.6M at year's end.

For Restricted funds, the following items are of note:

Federal

The increase in revenue projection of \$66.9M is due to the Regional Class Research Vessel, which is now in the construction phase. Federal grant revenues are received as costs are incurred during construction of the ships.

Supplies & Services & Capital Outlay

The increase in expense projection of \$66.9M is due to expenses related to the construction of the Regional Class Research Vessel.

RECOMMENDATION

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

Oregon State University
 Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of September 30, 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 | 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 | |
| State General Fund | \$83,808 | 37% | 36% | \$212,449 | \$226,761 | \$226,761 | \$0 | \$226,761 | \$0 | |
| Tuition & Resource Fees, net of Waivers | 160,817 | 40% | 40% | 379,028 | 397,865 | 398,997 | 1,132 | 398,997 | 1,132 | |
| Other | 11,990 | 11% | 16% | 101,693 | 102,086 | 105,586 | 3,500 | 105,586 | 3,500 | |
| Total Revenues | 256,615 | | | 693,170 | 726,712 | 731,344 | 4,632 | 731,344 | 4,632 | |
| Personnel Services | (107,084) | 20% | 19% | (525,225) | (540,495) | (540,495) | 0 | (540,495) | 0 | |
| Supplies & Services & Capital Outlay | (34,186) | 21% | 20% | (156,339) | (165,873) | (165,873) | 0 | (165,873) | 0 | |
| Total Expenditures | (141,270) | | | (681,564) | (706,368) | (706,368) | 0 | (706,368) | 0 | |
| Net from Operations | 115,345 | | | 11,606 | 20,344 | 24,976 | 4,632 | 24,976 | 4,632 | |
| Transfers In | 379 | 10% | 10% | 10,013 | 3,709 | 3,709 | 0 | 3,709 | 0 | |
| Transfers Out | (2,142) | 9% | 15% | (30,157) | (24,647) | (24,677) | (30) | (24,677) | (30) | |
| Fund Additions/(Deductions) | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Change in Unrestricted Net Assets | 113,582 | | | (8,538) | (594) | 4,008 | 4,602 | 4,008 | 4,602 | |
| Beginning Unrestricted Net Assets | 89,395 | | | 97,933 | 89,395 | 89,395 | 0 | 89,395 | 0 | |
| Ending Unrestricted Net Assets | <u>\$202,977</u> | | | <u>\$89,395</u> | <u>\$88,801</u> | <u>\$93,403</u> | <u>\$4,602</u> | <u>\$93,403</u> | <u>\$4,602</u> | |
| % Operating Revenues | | | | 12.9% | 12.2% | 12.8% | | 12.8% | | |
| Student FTE Enrollment-YTD Summer term only | 2,442 | 8% | 8% | 28,214 | 29,162 | 29,162 | 0 | 29,162 | 0 | |

Oregon State University
 Quarterly Operating Management Report

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

(Unaudited, for management purposes only)

(in thousands)

SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments

| | YTD Actual | | | Budget & YE Projection | | | | | Notes |
|---|-----------------|-------------------------|------------------------|----------------------------|------------------|---------------------------|--------------------------------|------------------------|------------|
| | A | B | C | D | E | F | G | | |
| | YTD | YTD as a % of Projected | Prior 7 yr. avg. YTD % | 6/30/2019 Prior Yr. Actual | Budget | Adjusted Budget 6/30/2020 | Projected Variance from Budget | YE Projected 6/30/2020 | |
| Enrollment Fees | \$14,981 | 37% | 37% | \$39,230 | \$40,928 | \$40,928 | \$0 | \$40,928 | \$0 |
| Sales & Services | 22,626 | 13% | 17% | 164,766 | 173,280 | 173,285 | 5 | 173,285 | 5 |
| Other | 7,648 | 18% | 18% | 42,927 | 43,169 | 43,164 | (5) | 43,164 | (5) |
| Total Revenues | 45,255 | | | 246,923 | 257,377 | 257,377 | 0 | 257,377 | 0 |
| Personnel Services | (27,561) | 22% | 23% | (116,924) | (125,262) | (125,262) | 0 | (125,262) | 0 |
| Supplies & Services & Capital Outlay | (23,094) | 19% | 17% | (124,022) | (124,611) | (124,611) | 0 | (124,611) | 0 |
| Total Expenditures | (50,655) | | | (240,946) | (249,873) | (249,873) | 0 | (249,873) | 0 |
| Net from Operations | (5,400) | | | 5,977 | 7,504 | 7,504 | 0 | 7,504 | 0 |
| Transfers In | 16 | 0% | 5% | 12,023 | 9,322 | 9,322 | 0 | 9,322 | 0 |
| Transfers Out | (3,538) | 37% | 35% | (22,108) | (9,608) | (9,608) | 0 | (9,608) | 0 |
| Additions/(Deductions) to Unrestricted Net Assets | 237 | | | 28,476 | (4,028) | (4,028) | 0 | (4,028) | 0 |
| Change in Unrestricted Net Assets | (8,685) | | | 24,368 | 3,190 | 3,190 | 0 | 3,190 | 0 |
| Beginning Unrestricted Net Assets | 24,368 | | | 0 | 24,368 | 24,368 | 0 | 24,368 | 0 |
| Ending Unrestricted Net Assets | \$15,683 | | | \$24,368 | \$27,558 | \$27,558 | \$0 | \$27,558 | \$0 |
| % of Operating Revenues | | | | 9.9% | 10.7% | 10.7% | | 10.7% | |
| Total Unrestricted Net Assets | | | | \$113,763 | \$116,359 | \$117,461 | | \$117,461 | |
| Days of Expenditures in Total Unrestricted Funds | | | | 45 | 44 | 45 | | 45 | |

January 23-24, 2020 Board of Trustees Meetings

**Oregon State University
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

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

(in thousands)

RESTRICTED FUNDS

| | YTD Actual | | | Budget & YE Projection | | | | | Notes | |
|---|------------|------------------------------------|-----------------------------------|----------------------------------|-------------|--------------------------------------|---|-----------------------------------|----------|-----------------------------------|
| | A YTD | B YTD as a % of Projected | C Prior 7 yr. avg. YTD % | 6/30/2019 Prior Yr. Actual | D Budget | E Adjusted Budget 6/30/2020 | F Projected Variance from Budget | G YE Projected 6/30/2020 | | Chg from prior qtr. projection |
| Federal | \$80,634 | 26% | 27% | \$248,123 | \$246,437 | \$248,000 | \$66,863 | \$313,300 | \$66,863 | (1) |
| State | 5,452 | 27% | 25% | 20,139 | 19,924 | 20,306 | 382 | 20,306 | 382 | |
| Other | 25,178 | 25% | 24% | 97,158 | 100,701 | 101,674 | 973 | 101,674 | 973 | |
| Total Revenues | 111,264 | | | 365,420 | 367,062 | 369,980 | 68,218 | 435,280 | 68,218 | |
| Personnel Services | (38,631) | 28% | 27% | (134,831) | (138,219) | (140,000) | (1,781) | (140,000) | (1,781) | |
| Supplies & Services & Capital Outlay | (71,082) | 24% | 26% | (222,042) | (226,426) | (228,000) | (66,874) | (293,300) | (66,874) | (1) |
| Total Expenditures | (109,713) | | | (356,873) | (364,645) | (368,000) | (68,655) | (433,300) | (68,655) | |
| Net from Operations | 1,551 | | | 8,547 | 2,417 | 1,980 | (437) | 1,980 | (437) | |
| Transfers In | 0 | 0% | 0% | 384 | 75 | 75 | 0 | 75 | 0 | |
| Transfers Out | (78) | 4% | 10% | (5,915) | (2,140) | (2,140) | 0 | (2,140) | 0 | |
| Additions/(Deductions) to Restricted Net Assets | (81) | | | 0 | 0 | (81) | (81) | (81) | (81) | |
| Change in Restricted Net Assets | 1,392 | | | 3,016 | 352 | (166) | (518) | (166) | (518) | |
| Beginning Restricted Net Assets | 13,733 | | | 10,716 | 13,733 | 13,733 | 0 | 13,733 | 0 | |
| Ending Restricted Net Assets | \$15,125 | | | \$13,733 | \$14,085 | \$13,567 | (\$518) | \$13,567 | (\$518) | |
| % of Operating Revenues | | | | 3.8% | 3.8% | 3.7% | | 3.1% | | |

(1) The change from prior projection is due to the spend rate on the Regional Class Research Vessel that is now in the construction phase. As the university incurs costs constructing the ships, it receives federal funds to reimburse those costs.

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

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

| | E&G | Self-Support | | Plant fund | Restricted | Other | Total |
|---|-------------|--------------|---|------------|------------|-------|----------|
| | | Auxiliary | Designated Operations & Service Departments | | | | |
| Transfers In - E&G | | \$468 | \$2,360 (d) | \$761 | \$120 | | \$ 3,709 |
| Transfers Out - E&G | | 8,010 (a) | 1,292 (b) | 15,300 (c) | 75 | - | 24,677 |
| Transfers In - Auxiliary | \$8,010 (a) | | | | 20 | - | 8,030 |
| Transfers Out - Auxiliary | 468 | | | 6,780 (c) | | 0 | 7,248 |
| Transfers In - Designated Operations & Service Departments | 1,292 (b) | | | | | - | 1,292 |
| Transfers Out - Designated Operations & Service Departments | 2,360 (d) | | | | | 0 | 2,360 |
| Transfers In - Restricted | 75 | | | | | - | 75 |
| Transfers Out - Restricted | 120 | 20 | | 2,000 (c) | | - | 2,140 |

- (a) mainly support for athletics-\$8.0M
- (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