

## FY2019 Q2 Operating Management Report

### BACKGROUND

Oregon State University's Fiscal Year 2019 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 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 Q2 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 \$696.9M, expenditures are expected to total \$688.0M, and transfers in and transfers out are projected to be \$9.6M and \$21.6M, respectively. Unrestricted net assets are projected to decrease by \$3.2M to total \$94.8M at year’s end.

No items are flagged for Q2. All burn rates, realization rates and changes in projections are within the established tolerances.

The ending Unrestricted Net Assets balance is projected to be 13.6% 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 \$248.2M, expenditures are expected to total \$240.0M, and transfers in and transfers out are projected to be \$9.0M and \$20.4M, 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 \$11.1M to total \$24.3M at year’s end.

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

**Sales & Services**

The \$3.1M change in projection is primarily due to a \$1.2M increase for a new testing contract within Civil & Construction Engineering, a \$0.5M increase in Professional and Continuing Education (PACE) registrations, a \$0.5M increase in Meningococcal B vaccine to address higher demand for the vaccination in late 2018, and a \$0.4M increase in conference services.

**RESTRICTED FUND**

For the fiscal year, the Restricted Fund revenues are projected to total \$362.3M, expenditures are expected to total \$355.5M, and transfers in and transfers out are projected to be \$0.1M and \$6.1M, respectively. Restricted net assets are projected to increase by about \$0.8M, to total \$11.5M at year's end.

No items are flagged for Q2. 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 Q2 Operating Management Report.

**Oregon State University  
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of December 31, 2018  
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	\$124,151	58%	60%	\$199,262	\$207,782	\$207,782	\$5,213	212,995	\$5,213	
Tuition & Resource Fees, net of Waivers	258,647	67%	68%	367,279	394,787	385,716	(11,352)	383,435	(2,281)	
Other	35,664	36%	38%	100,404	99,331	99,331	1,126	100,457	1,126	
<b>Total Revenues</b>	418,462			666,945	701,900	692,829	(5,013)	696,887	4,058	
Personnel Services	(243,275)	46%	46%	(503,433)	(533,038)	(533,038)	4,736	(528,302)	4,736	
Supplies & Services & Capital Outlay	(67,088)	42%	45%	(138,982)	(156,982)	(156,982)	(2,760)	(159,742)	(2,760)	
<b>Total Expenditures</b>	<u>(310,363)</u>			<u>(642,415)</u>	<u>(690,020)</u>	<u>(690,020)</u>	<u>1,976</u>	<u>(688,044)</u>	<u>1,976</u>	
<b>Net from Operations</b>	108,099			24,530	11,880	2,809	(3,037)	8,843	6,034	
Transfers In	5,422	57%	50%	3,339	4,662	4,682	4,897	9,559	4,642	
Transfers Out	(11,745)	54%	45%	(24,466)	(21,666)	(23,664)	81	(21,585)	2,079	
Fund Additions/(Deductions)	0			0	0	0	0	0	0	
<b>Change in Unrestricted Net Assets</b>	101,776			3,403	(5,124)	(16,173)	1,941	(3,183)	12,755	
<b>Beginning Unrestricted Net Assets</b>	97,933			94,530	97,933	97,933	0	97,933	0	
<b>Ending Unrestricted Net Assets</b>	<u>\$199,709</u>			<u>\$97,933</u>	<u>\$92,809</u>	<u>\$81,760</u>	<u>\$1,941</u>	<u>\$94,750</u>	<u>\$12,755</u>	
% Operating Revenues				14.7%	13.2%	11.8%		13.6%		
Student FTE Enrollment-YTD Summer and Fall terms only	11,350	40%	40%	27,813	28,547	28,044	(503)	28,044	0	

**Oregon State University  
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of December 31, 2018  
For the Fiscal Year Ended June 30, 2019**

(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	\$25,742	65%	65%	\$39,093	\$41,675	\$39,939	(\$1,950)	39,725	(\$214)	
Sales & Services	68,527	41%	41%	161,623	163,571	164,082	3,594	167,165	3,083	(1)
Other	19,460	47%	42%	39,662	37,777	41,002	3,505	41,282	280	
<b>Total Revenues</b>	<b>113,729</b>			<b>240,378</b>	<b>243,023</b>	<b>245,023</b>	<b>5,149</b>	<b>248,172</b>	<b>3,149</b>	
Personnel Services	(57,663)	48%	48%	(117,183)	(121,152)	(121,317)	1,070	(120,082)	1,235	
Supplies & Services & Capital Outlay	(63,201)	53%	48%	(121,206)	(114,973)	(118,343)	(4,988)	(119,961)	(1,618)	
<b>Total Expenditures</b>	<b>(120,864)</b>			<b>(238,389)</b>	<b>(236,125)</b>	<b>(239,660)</b>	<b>(3,918)</b>	<b>(240,043)</b>	<b>(383)</b>	
<b>Net from Operations</b>	<b>(7,135)</b>			<b>1,989</b>	<b>6,898</b>	<b>5,363</b>	<b>1,231</b>	<b>8,129</b>	<b>2,766</b>	
Transfers In	986	11%	13%	11,169	9,216	8,714	(187)	9,029	315	
Transfers Out	(13,786)	68%	60%	(13,509)	(17,897)	(19,164)	(2,471)	(20,368)	(1,204)	
Additions/(Deductions) to Unrestricted Net Assets	(473)			(6,648)	(7,887)	(7,881)	31	(7,856)	25	
<b>Change in Unrestricted Net Assets</b>	<b>(20,408)</b>			<b>(6,999)</b>	<b>(9,670)</b>	<b>(12,968)</b>	<b>(1,396)</b>	<b>(11,066)</b>	<b>1,902</b>	
<b>Beginning Unrestricted Net Assets</b>	<b>35,372</b>			<b>42,371</b>	<b>35,372</b>	<b>35,372</b>	<b>0</b>	<b>35,372</b>	<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>\$14,964</b>			<b>\$35,372</b>	<b>\$25,702</b>	<b>\$22,404</b>	<b>(\$1,396)</b>	<b>\$24,306</b>	<b>\$1,902</b>	
% of Operating Revenues				14.7%	10.6%	9.1%		9.8%		
<b>Total Unrestricted Net Assets</b>				<b>\$133,305</b>	<b>\$118,511</b>	<b>\$104,164</b>		<b>\$119,056</b>		
<b>Days of Expenditures in Total Unrestricted Funds</b>				<b>55</b>	<b>47</b>	<b>41</b>		<b>47</b>		

(1) The \$3.1M change in projection is primarily due to \$1.2M increase for a new testing contract within Civil & Construction Engineering, \$0.5M increase in PACE registrations, \$0.5M increase in Meningococcal B vaccine and \$0.4M increase in conference services.

**Oregon State University  
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of December 31, 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	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	\$117,455	48%	50%	\$240,697	\$247,401	\$247,401	(\$2,548)	244,853	(\$2,548)	
State	8,764	47%	47%	17,638	20,940	21,336	(2,207)	18,733	(2,603)	
Other	43,235	44%	42%	93,993	93,000	96,550	5,692	98,692	2,142	
<b>Total Revenues</b>	169,454			352,328	361,341	365,287	937	362,278	(3,009)	
Personnel Services	(67,209)	49%	50%	(134,789)	(141,336)	(141,336)	2,836	(138,500)	2,836	
Supplies & Services & Capital Outlay	(113,664)	52%	52%	(215,222)	(218,000)	(219,534)	1,036	(216,964)	2,570	
<b>Total Expenditures</b>	(180,873)			(350,011)	(359,336)	(360,870)	3,872	(355,464)	5,406	
<b>Net from Operations</b>	(11,419)			2,317	2,005	4,417	4,809	6,814	2,397	
Transfers In	3	3%	0%	323	350	350	(243)	107	(243)	
Transfers Out	(2,205)	36%	35%	(1,276)	(6,100)	(6,100)	(20)	(6,120)	(20)	
Additions/(Deductions) to Restricted Net Assets	0			0	0	0	0	0	0	
<b>Change in Restricted Net Assets</b>	(13,621)			1,364	(3,745)	(1,333)	4,546	801	2,134	
<b>Beginning Restricted Net Assets</b>	10,716			9,352	10,716	10,716	0	10,716	0	
<b>Ending Restricted Net Assets</b>	(\$2,905)			\$10,716	\$6,971	\$9,383	\$4,546	\$11,517	\$2,134	
% of Operating Revenues				3.0%	1.9%	2.6%		3.2%		

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

**As of December 31, 2018**  
**For the Fiscal Year Ended June 30, 2019**

	Self-Support				Plant fund	Restricted	Other	Total
	E&G	Auxiliary	Designated Operations & Service Departments					
Transfers In - E&G		\$3,367	\$4,937 (d)		\$1,135	\$120		\$ 9,559
Transfers Out - E&G		7,363 (a)	1,296 (b)		12,819 (c)	107	-	21,585
Transfers In - Auxiliary	\$7,363 (a)				370		-	7,733
Transfers Out - Auxiliary	3,367				11,839 (c)		225	15,431
Transfers In - Designated Operations & Service Departments	1,296 (b)						-	1,296
Transfers Out - Designated Operations & Service Departments	4,937 (d)						0	4,937
Transfers In - Restricted	107						-	107
Transfers Out - Restricted	120				6,000 (c)		-	6,120

- (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

*April 4-5, 2019 Board of Trustees Meetings*