

## FY2018 Q3 Operating Management Report

### BACKGROUND

Oregon State University’s Fiscal Year 2018 Third Quarter (Q3) Operating Management Report presents the first nine months of operating results for the three operating fund groups: Education and General (E&G), 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 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 FY2018 Q3 report for each major operating fund type is as follows:

**EDUCATION AND GENERAL FUND**

For the fiscal year, the E&G revenues are projected to total \$664.9M, expenditures are expected to total \$650.4M, and transfers in and transfers out are projected to be \$2.8M and \$20.4M, respectively. Unrestricted net assets are projected to decrease by \$3.1M to total \$91.4M 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 13.7% 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 \$243.9M, expenditures are expected to total \$242.5M, and transfers in and transfers out are projected to be \$9.1M and \$12.9M, respectively. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$8.3M. Unrestricted net assets are projected to decrease \$10.7M to total \$31.7M at year’s end.

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

**Sales & Services Revenues**

The \$4.6M change in projection is primarily due to \$2.7M for a new statewide fiber optic network program and \$1.2M in additional clinics related to Meningococcal B vaccinations.

**RESTRICTED FUND**

For the fiscal year, the Restricted Fund revenues are projected to total \$343.9M, expenditures are expected to total \$348.3M, with transfers in and transfers out projected to be \$0.3M and \$1.2M, respectively. Restricted net assets are projected to decrease by about \$5.3M, to total \$4.1M at year’s end.

**State Revenues**

The realization rate is below the seven-year average tolerance level due to a timing issue with the receipt of the third Oregon Opportunity Grant payment, which was received in April versus March in prior years.

**RECOMMENDATION**

Staff recommend that the Finance & Administration Committee accept the FY2018 Q3 Operating Management Report.

Oregon State University  
 Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of March 31, 2018  
 For the Fiscal Year Ended June 30, 2018

(in thousands except enrollment)

**EDUCATION & GENERAL**

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2017	D	Adjusted	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Budget 6/30/2018	Projected Variance from Budget	YE Projected 6/30/2018	Chg from prior qtr. projection	
State General Fund	\$167,349	84%	84%	\$179,241	\$173,862	\$199,755	\$25,366	\$199,228	\$0	
Tuition & Resource Fees, net of Waivers	360,192	97%	99%	350,283	380,386	376,125	(10,759)	369,627	(381)	
Other	59,338	62%	62%	93,654	90,818	92,739	5,201	96,019	(368)	
<b>Total Revenues</b>	586,879			623,178	645,066	668,619	19,808	664,874	(749)	
Personnel Services	(370,699)	73%	73%	(473,724)	(500,603)	(503,183)	(4,135)	(504,738)	(888)	
Supplies & Services & Capital Outlay	(92,887)	64%	69%	(126,277)	(131,937)	(143,777)	(13,752)	(145,689)	(1,046)	
<b>Total Expenditures</b>	(463,586)			(600,001)	(632,540)	(646,960)	(17,887)	(650,427)	(1,934)	
<b>Net from Operations</b>	123,293			23,177	12,526	21,659	1,921	14,447	(2,683)	
Transfers In	393	14%	20%	2,873	1,762	1,762	1,066	2,828	1,312	
Transfers Out	(15,916)	78%	70%	(11,529)	(13,868)	(14,233)	(6,555)	(20,423)	(4,264)	
Fund Additions/(Deductions)	0			0	0	0	0	0	0	
<b>Change in Unrestricted Net Assets</b>	107,770			14,521	420	9,188	(3,568)	(3,148)	(5,635)	
<b>Beginning Unrestricted Net Assets</b>	94,530			80,009	94,530	94,530	0	94,530	0	
<b>Ending Unrestricted Net Assets</b>	<u>\$202,300</u>			<u>\$94,530</u>	<u>\$94,950</u>	<u>\$103,718</u>	<u>(\$3,568)</u>	<u>\$91,382</u>	<u>(\$5,635)</u>	
% Operating Revenues				15.2%	14.7%	15.5%		13.7%		
Student FTE Enrollment-YTD Summer thru Winter terms only	20,025	70%	71%	27,813	28,547	28,258	(647)	27,900	0	

Oregon State University  
 Quarterly Operating Management Report

As of March 31, 2018  
 For the Fiscal Year Ended June 30, 2018

(Unaudited, for management purposes only)

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2017	D	Adjusted	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Budget 6/30/2018	Projected Variance from Budget	YE Projected 6/30/2018	Chg from prior qtr. projection	
(in thousands)										
<b>SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments</b>										
Enrollment Fees	\$37,618	94%	96%	\$37,393	\$39,616	\$39,616	\$312	\$39,928	\$317	
Sales & Services	106,231	65%	63%	155,949	158,298	156,894	4,703	163,001	4,565	(1)
Other	26,682	65%	71%	39,301	36,711	37,221	4,261	40,972	1,228	
<b>Total Revenues</b>	<b>170,531</b>			<b>232,643</b>	<b>234,625</b>	<b>233,731</b>	<b>9,276</b>	<b>243,901</b>	<b>6,110</b>	
Personnel Services	(85,288)	71%	73%	(106,137)	(118,566)	(118,906)	(1,278)	(119,844)	2,236	
Supplies & Services & Capital Outlay	(92,645)	76%	73%	(113,461)	(116,190)	(117,500)	(6,502)	(122,692)	(2,095)	
<b>Total Expenditures</b>	<b>(177,933)</b>			<b>(219,598)</b>	<b>(234,756)</b>	<b>(236,406)</b>	<b>(7,780)</b>	<b>(242,536)</b>	<b>141</b>	
<b>Net from Operations</b>	<b>(7,402)</b>			<b>13,045</b>	<b>(131)</b>	<b>(2,675)</b>	<b>1,496</b>	<b>1,365</b>	<b>6,251</b>	
Transfers In	7,344	81%	90%	9,304	6,668	6,804	2,447	9,115	1,709	
Transfers Out	(8,483)	66%	65%	(15,710)	(6,341)	(6,531)	(6,531)	(12,872)	(6,265)	
Additions/(Deductions) to Unrestricted Net Assets	(27)			(8,474)	(4,590)	(7,973)	(3,748)	(8,338)	(37)	
<b>Change in Unrestricted Net Assets</b>	<b>(8,568)</b>			<b>(1,835)</b>	<b>(4,394)</b>	<b>(10,375)</b>	<b>(6,336)</b>	<b>(10,730)</b>	<b>1,658</b>	
<b>Beginning Unrestricted Net Assets</b>	<b>42,371</b>			<b>44,206</b>	<b>42,371</b>	<b>42,371</b>	<b>0</b>	<b>42,371</b>	<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>\$33,803</b>			<b>\$42,371</b>	<b>\$37,977</b>	<b>\$31,996</b>	<b>(\$6,336)</b>	<b>\$31,641</b>	<b>\$1,658</b>	
% of Operating Revenues				18.2%	16.2%	13.7%		13.0%		
<b>Total Unrestricted Net Assets</b>				\$136,901	\$132,927	\$135,714		\$123,023		
<b>Days of Expenditures in Total Unrestricted Funds</b>				61	56	56		50		

(1) The increase in projection from prior quarter consists mainly of \$2.7M in a new statewide fiber optic network program and \$1.2M in additional vaccination clinics related to Meningococcal B.

Oregon State University  
 Quarterly Operating Management Report

(Unaudited, for management purposes only)

As of March 31, 2018  
 For the Fiscal Year Ended June 30, 2018

(in thousands)

**RESTRICTED FUNDS**

	YTD Actual				Budget & YE Projection					Notes
	A	B	C	6/30/2017	D	Adjusted	E	F	G	
	YTD	YTD as a % of Projected	Prior 7 yr. avg. YTD %	Prior Yr. Actual	Budget	Budget 6/30/2018	Projected Variance from Budget	YE Projected 6/30/2018	Chg from prior qtr. projection	
Federal	\$174,598	76%	76%	\$218,610	\$221,702	\$218,500	\$9,514	\$231,216	\$2,141	
State	13,086	64%	77%	22,017	22,035	22,477	(1,685)	20,350	(3,411)	(2)
Other	63,704	69%	63%	94,953	94,310	92,529	(2,004)	92,306	1,993	
<b>Total Revenues</b>	251,388			335,580	338,047	333,506	5,825	343,872	723	
Personnel Services	(99,323)	74%	74%	(132,276)	(135,219)	(138,488)	614	(134,605)	644	
Supplies & Services & Capital Outlay	(161,710)	76%	75%	(199,773)	(203,167)	(200,107)	(10,548)	(213,715)	(2,397)	
<b>Total Expenditures</b>	(261,033)			(332,049)	(338,386)	(338,595)	(9,934)	(348,320)	(1,753)	
<b>Net from Operations</b>	(9,645)			3,531	(339)	(5,089)	(4,109)	(4,448)	(1,030)	
Transfers In	100	31%	33%	394	365	365	(42)	323	(10)	
Transfers Out	(1,131)	98%	95%	(3,473)	(1,136)	(1,136)	(24)	(1,160)	(25)	
Additions/(Deductions) to Restricted Net Assets	(2)			(1,647)	0	0	0	0	0	
<b>Change in Restricted Net Assets</b>	(10,678)			(1,195)	(1,110)	(5,860)	(4,175)	(5,285)	(1,065)	
<b>Beginning Restricted Net Assets</b>	9,353			10,548	10,548	10,548	(1,195)	9,353	0	
<b>Ending Restricted Net Assets</b>	(\$1,325)			\$9,353	\$9,438	\$4,688	(\$5,370)	\$4,068	(\$1,065)	
% of Operating Revenues				2.8%	2.8%	1.4%		1.2%		

(2) The realization rate is flagged due to a timing issue with receipt of the third Oregon Opportunity Grant payment which was received in April versus March in prior years.

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

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

	Self-Support				Plant fund	Restricted	Other	Total
	E&G	Auxiliary	Designated Operations & Service Departments					
Transfers In - E&G		\$420	\$2,112 (d)		\$173	\$123		\$2,828
Transfers Out - E&G		5,514 (a)	2,290 (b)		12,296 (c)	323		20,423
Transfers In - Auxiliary	\$5,514 (a)				1,311			6,825
Transfers Out - Auxiliary	420				10,009 (c)		\$225	10,654
Transfers In - Designated Operations & Service Departments	2,290 (b)							2,290
Transfers Out - Designated Operations & Service Departments	2,112 (d)				106			2,218
Transfers In - Restricted	323							323
Transfers Out - Restricted	123				1,037 (c)			1,160

- (a) mainly support for athletics-\$4.1M
- (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

May 31-June 1, 2018 Board of Trustees