

FY2016 Q1 Operating Management Report

BACKGROUND

Oregon State University's FY2016 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.
- The current quarter projection for the year to the prior quarter projection to highlight midyear changes in expected annual results.

Q1 OPERATING MANAGEMENT REPORT

The percentage of year-to-date actual revenue and expenditures 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 a basis upon which we have 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:

- Tuition & Resource Fees, net of waivers – at +/- 2%
- Enrollment Fees – at +/- 2%
- Sales & Services – at +/- 5%
- Other revenue – at +/- 7%
- Federal restricted – at +/- 5%
- State restricted – at +/- 7%
- Other restricted – at +/- 6%
- Personnel Services – at +/- 2%
- Supplies & Services & Capital Outlay – at +/- 5%

TAB B

To provide similar precision to the other captions in the report for which actual results do not track similarly from year to year, the expected current year results provides similar predictive value to the report. For these captions, we have established tolerance ranges based upon materiality. This approach is applied with the following tolerances:

- State General Fund – at +/- 2%
- Transfers – at +/- 10%

Accountability for material changes made to the year-end projected amounts for any report caption is provided by highlighting those changes, either plus or minus, that are greater than 1% of total revenues for further analysis and reporting to the committee.

The breakdown and discussion of the variances in the FY2016 Q1 report for each major operating fund type is as follows:

EDUCATION AND GENERAL

For the Education and General funds, the following items are of note:

Revenues

- The State General Fund realization rate is below the expected realization rate for the period due to the final State funding being higher than projected in March. The change in the projection is reflective of this higher final funding.

The Ending Unrestricted Net Assets balance is projected to be 11.8% of operating revenues.

SELF-SUPPORT

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

Revenues

- The Sales and Services projection decreased \$3M mainly due to the following:
 - University Housing and Dining Services is projecting a decrease of \$2.9M due to lower INTO and first year enrollment offset by \$700K increase in ancillary dining revenues resulting in a net \$2.2M decrease
 - Athletics is projecting a \$1.7M decrease in ticket sales
 - Multiple designated operations and services centers are projecting increased revenues totaling \$1M.

The Ending Unrestricted Net Assets balance is projected to be 19.9% of operating revenues.

RESTRICTED

In the Restricted Funds area the following items are of note:

Revenues

- The realization rate for State revenues is below the 7 year average due to the timing of receipt of need based grant aid received from the State's Office of Student Access and Completion. In prior years the money was received and posted in September, this year the money was posted in October.

- Other revenue is being increased based upon current trends.

Expenditures

- The Supplies & Services & Capital Outlay projection increased a total of \$10.4M relating to a \$6.3M increase in expenses due to the projected increase in revenues and to a change in the accounting for \$4.1M in debt principal payments from Transfers Out to Services & Supplies.

Transfers

- Transfers out has decreased by \$4.1M for the change in accounting for principal payments as mentioned above.

RECOMMENDATION

Staff propose that the Committee accept the FY2016 First Quarter Operating Management Report.

Oregon State University
 Quarterly Operating Management Report
 (Unaudited, for management purposes only)

As of September 30, 2015
 For the Fiscal Year Ended June 30, 2016

	YTD Actual			C Prior 7 yr. avg. YTD %	D 6/30/2015 Actual	Budget & YE Projection			G Chg from prior qtr. projection	Notes
	A YTD	B YTD as a % of Projected				D Budget	E Adjusted Budget 6/30/2015	F Projected Variance from Budget		
EDUCATION & GENERAL										
(in thousands except enrollment)										
State General Fund	\$58,231	34%	38%	\$152,501	\$158,517	\$169,727	\$11,210	169,727	\$11,210	(1)
Tuition & Resource Fees, net of Waivers	133,155	38%	40%	315,851	340,359	340,011	(348)	340,011	(348)	
Other	13,895	16%	17%	84,895	83,073	87,631	4,558	87,631	4,558	
Total Revenues	205,081			553,047	581,949	597,369	15,420	597,369	15,420	
Personnel Services	(85,250)	19%	19%	(422,252)	(453,512)	(454,408)	(896)	(454,408)	(896)	
Supplies & Services & Capital Outlay	(22,371)	19%	20%	(108,838)	(119,115)	(120,793)	(1,678)	(120,793)	(1,678)	
Total Expenditures	(107,621)			(531,090)	(572,627)	(575,201)	(2,574)	(575,201)	(2,574)	
Net from Operations	97,460			21,957	9,322	22,168	12,846	22,168	12,846	
Transfers In	1,550	51%	51%	1,145	1,528	3,013	1,485	3,013	1,485	
Transfers Out	(4,502)	52%	52%	(11,871)	(10,033)	(8,610)	1,423	(8,610)	1,423	
Fund Additions/(Deductions)	0			(170)	0	0	0	0	0	
Change in Unrestricted Net Assets	94,508			11,281	817	16,571	15,754	16,571	15,754	
Beginning Unrestricted Net Assets	53,954			42,893	53,954	53,954	0	53,954	0	
Ending Unrestricted Net Assets	\$148,462			\$53,954	\$54,771	\$70,525	\$15,754	\$70,525	\$15,754	
% Operating Revenues	72.4%			8.8%	9.4%	11.8%		11.8%		
Student FTE Enrollment-YTD Summer term only	2,130	8%	8%	26,565	26,707	26,707	0	26,707	0	

(1) The final funding from the state increased over the budget.

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 For the Fiscal Year Ended June 30, 2016

	A		B		C		D			E		F		G	Notes
	YTD	YTD as a % of Projected	YTD %	Prior 7 yr. avg.	6/30/2015 Prior Yr. Actual	Budget	Adjusted Budget 6/30/2015	Projected Variance from Budget	Projected 6/30/2016	YE 6/30/2016	Chg from prior gtr. projection				
SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments															
Enrollment Fees	\$12,873	36%	37%	\$33,374	\$37,873	\$36,257	(\$1,716)	36,257	36,257	(\$1,716)					
Sales & Services	23,444	17%	21%	136,370	141,447	138,488	(2,979)	138,488	138,488	(2,979)	(2,979)	(2,979)		(2)	
Other	5,224	16%	18%	37,048	31,976	32,066	90	32,066	32,066	90	90	90			
Total Revenues	41,541			206,792	211,398	206,791	(4,605)	206,791	206,791	(4,605)	(4,605)	(4,605)			
Personnel Services	(22,965)	22%	23%	(96,803)	(106,138)	(106,685)	(547)	(106,685)	(106,685)	(547)	(547)	(547)			
Supplies & Services & Capital Outlay	(15,484)	15%	19%	(109,776)	(104,838)	(105,244)	(606)	(105,244)	(105,244)	(606)	(606)	(606)			
Total Expenditures	(38,449)			(206,579)	(210,776)	(211,929)	(1,153)	(211,929)	(211,929)	(1,153)	(1,153)	(1,153)			
Net from Operations	3,092			213	620	(5,138)	(5,758)	(5,138)	(5,138)	(5,758)	(5,758)	(5,758)			
Transfers In	4,285	72%	72%	24,102	5,972	5,961	(11)	5,961	5,961	(11)	(11)	(11)			
Transfers Out	(2,281)	21%	22%	(9,486)	(9,156)	(10,987)	(1,831)	(10,987)	(10,987)	(1,831)	(1,831)	(1,831)			
Additions/(Deductions) to Unrestricted Net Assets	(222)			(9,507)	(9,363)	(9,730)	(367)	(9,730)	(9,730)	(367)	(367)	(367)			
Change in Unrestricted Net Assets	4,854			5,322	(11,927)	(19,864)	(7,967)	(19,864)	(19,864)	(7,967)	(7,967)	(7,967)			
Beginning Unrestricted Net Assets	60,970			55,648	60,970	60,970	0	60,970	60,970	0	0	0			
Ending Unrestricted Net Assets	\$65,824			\$60,970	\$49,043	\$41,076	(\$7,967)	\$41,076	\$41,076	(\$7,967)	(\$7,967)	(\$7,967)			
% of Operating Revenues	158.5%			29.5%	23.2%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%			
Total Unrestricted Net Assets	\$214,286			114,924	\$103,814	\$111,601		\$111,601	\$111,601		\$111,601	\$111,601			
Days of Expenditures in Total Unrestricted Funds	535			40	48	52		52	52		52	52			

(2) The change in projection consists mainly of lower housing and dining revenue of \$2.9M due to lower INTO and first year enrollment than budgeted offset by \$700k higher ancillary dining revenues. In addition Athletics is projecting lower ticket sales of \$1.7M. There are multiple designated operations and service centers trending higher revenues of \$1M.

Oregon State University
 Quarterly Operating Management Report
 (Unaudited, for management purposes only)

As of September 30, 2015
 For the Fiscal Year Ended June 30, 2016

	YTD Actual		C		D		Budget & YE Projection		G	Notes
	A	B	YTD as a % of Projected	Prior 7 yr. avg. YTD %	6/30/2015 Prior Yr. Actual	Budget	Adjusted Budget 6/30/2015	E		
	YTD	Projected				Budget	Adjusted Budget 6/30/2015	Projected Variance from Budget	YE Projected 6/30/2016	Chg from prior gtr. projection
RESTRICTED FUNDS										
Federal	\$60,467	28%	26%	26%	\$208,866	\$217,474	\$214,510	(\$2,964)	214,510	(\$2,964)
State	1,911	11%	27%	27%	16,442	15,630	17,484	1,854	17,484	\$1,854
Other	19,301	21%	19%	19%	86,588	82,000	90,588	8,588	90,588	\$8,588
Total Revenues	81,679				311,896	315,104	322,582	7,478	322,582	7,478
Personnel Services	(33,078)	27%	27%	27%	(121,263)	(123,000)	(122,813)	187	(122,813)	\$187
Supplies & Services & Capital Outlay	(51,438)	26%	26%	26%	(190,512)	(188,000)	(188,425)	(10,425)	(188,425)	(\$10,425)
Total Expenditures	(84,516)				(311,775)	(311,000)	(321,238)	(10,238)	(321,238)	(10,238)
Net from Operations	(2,837)				121	4,104	1,344	(2,760)	1,344	(2,760)
Transfers In	0	0%	0%	0%	366	0	334	334	334	\$334
Transfers Out	(30)	26%	25%	25%	(735)	(4,217)	(114)	4,103	(114)	\$4,103
Additions/(Deductions) to Restricted Net Assets	(0)				0	0	0	0	0	\$0
Change in Restricted Net Assets	(2,867)				(248)	(113)	1,564	1,677	1,564	1,677
Beginning Restricted Net Assets	12,298				12,546	12,298	12,298	0	12,298	0
Ending Restricted Net Assets	\$9,431				\$12,298	\$12,185	\$13,862	\$1,677	\$13,862	\$1,677
% of Operating Revenues	11.5%				3.9%	3.9%	4.3%	4.3%	4.3%	4.3%

(3) There was a timing issue with receipt of need based grant aid. In prior years the money was received and posted in September, this year it occurred in October.
 (4) The trend of other revenues indicates higher expected revenues.
 (5) Trending indicates that expenses will be higher by \$0.3M due to increase in anticipated revenues noted above. Remainder of the change is due to changing the accounting treatment for debt principal payments from Transfers Out to S&S expense.
 (6) As described in Note 5, the accounting treatment for debt principal payments was changed from Transfers Out to S&S expense.

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

As of September 30, 2015
 For the Fiscal Year Ended June 30, 2016

	Self-Support				Total
	E&G	Auxiliary	Designated Operations & Service Departments	Plant fund Restricted	
<u>Transfers In - E&G</u>	-	\$ 219	\$ 611 (e)	\$ 2,069 (d)	\$ 114 \$ 3,013
<u>Transfers Out - E&G</u>	-	4,299 (a)	1,570 (b)	2,407 (c)	334 8,610
<u>Transfers In - Auxiliary</u>	\$ 4,299 (a)	-	-	92	- 4,391
<u>Transfers Out - Auxiliary</u>	389	-	-	9,987 (c)	- 10,376
<u>Transfers In - Designated Operations & Service Departments</u>	1,570 (b)	-	-	-	- 1,570
<u>Transfers Out - Designated Operations & Service Departments</u>	611 (e)	-	-	-	- 611
<u>Transfers In - Restricted</u>	334	-	-	-	- 334
<u>Transfers Out - Restricted</u>	-	-	-	-	- 0

(a) mainly support for athletics \$4M
 (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 back of OSU-Cascades support to cover negative FY15 year end plant fund balance
 (e) mainly transfer of royalties to E&G - \$591K