

FY2017 Q3 Operating Management Report

BACKGROUND

Oregon State University’s Fiscal Year (FY) 2017 Third Quarter (Q3) Operating Management Report presents the first nine months of operating results for the three operating fund groups: Education & 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’s 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 provide the Board and management with 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 and 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, tolerance ranges were established 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 FY2017 Q3 report for each major operating fund type is as follows:

EDUCATION & GENERAL

For the fiscal year, the E&G Fund revenues are projected to total \$617.6M and expenditures are expected to total \$608.3M. Transfers in and transfers out are projected to be \$2.2M and \$10.9M, respectively. Unrestricted net assets are projected to increase by \$0.6M to total \$80.6M at year’s end.

For the E&G fund, the following item is of note:

Transfers In

The realization rate (at 71%) is higher than budgeted due primarily to a \$1.0M transfer from royalties to support the Advanced Technology and Manufacturing Institute (ATAMI) project. This project was approved at the January 2017 Board meeting, thus the transfer was not previously projected.

The Ending Unrestricted Net Assets balance is projected to be 13.0% 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 \$229.8M and expenditures are expected to total \$224.4M. Transfers in and transfers out are projected to be \$7.7M and \$12.6M, respectively. Deductions from unrestricted net assets, primarily representing debt principal payments and purchases of fixed assets, are expected to total \$8.8M. Unrestricted net assets are projected to decrease by \$8.3M to total \$35.9M at year’s end.

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

Sales & Services

The sales & services revenues have increased due primarily to Athletics’ Pac-12 revenues of \$1.5M, along with an increase in ticket sales of \$0.9M, both amounts higher than projected.

Transfers Out

The transfers out increase was due mainly to plant fund transfers for the Student Community Center of \$1.2M; a parking lot for the seed lab of \$2.0M, originally planned for a FY2018 start; and \$1.0M in royalty support for ATAMI (see E&G transfers in).

The ending Unrestricted Net Assets balance is projected to be 15.6% of total operating revenues.

RESTRICTED

For the fiscal year, the Restricted Fund revenues are projected to total \$335.1M and expenditures are projected to total \$332.5M. Transfers in are projected to be \$0.4M and transfers out are projected at \$3.3M. Restricted net assets are projected to remain relatively flat, to total \$10.2M at year's end.

For Restricted funds, the following items are of note:

Transfers In

The realization rate for transfers in, at 33%, is lower than anticipated due to \$0.3M of planned support for a research vessel that did not occur.

Transfers Out

The burn rate for transfers out, at 99%, is higher than anticipated due to \$3.0M in plant transfers for supporting the Forest Science Complex project due to state bond match requirements.

RECOMMENDATION

Staff recommend that the Finance & Administration Committee accept the FY2017 Third Quarter Operating Management Report.

**Oregon State University
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of March 31, 2017
For the Fiscal Year Ended June 30, 2017**

(in thousands except enrollment)

EDUCATION & GENERAL

| | YTD Actual | | | | Budget & YE Projection | | | | | Notes |
|---|------------------|-------------------------------|------------------------------|---------------------|------------------------|---------------------|--------------------------------------|------------------------------|-----------------------------------|-------|
| | A | B | C | 6/30/2016 | D | Adjusted | E | F | G | |
| | YTD | YTD as a % of Projected | Prior 7 yr. avg. YTD % | Prior Yr. Actual | Budget | Budget 6/30/2017 | Projected Variance from Budget | YE Projected 6/30/2017 | Chg from prior qtr. projection | |
| State General Fund | \$149,714 | 84% | 84% | \$170,935 | \$178,187 | \$178,390 | \$203 | 178,390 | \$0 | |
| Tuition & Resource Fees, net of Waivers | 344,197 | 98% | 99% | 336,708 | 352,635 | 352,307 | (2,404) | 350,231 | 2,661 | |
| Other | 54,873 | 62% | 63% | 89,400 | 87,504 | 86,647 | 1,477 | 88,981 | 828 | |
| Total Revenues | 548,784 | | | 597,043 | 618,326 | 617,344 | (724) | 617,602 | 3,489 | |
| Personnel Services | (347,811) | 73% | 73% | (444,854) | (474,633) | (472,194) | (1,800) | (476,433) | (1,231) | |
| Supplies & Services & Capital Outlay | (87,057) | 66% | 69% | (118,554) | (129,220) | (135,139) | (2,665) | (131,885) | 3,637 | |
| Total Expenditures | (434,868) | | | (563,408) | (603,853) | (607,333) | (4,465) | (608,318) | 2,406 | |
| Net from Operations | 113,916 | | | 33,635 | 14,473 | 10,011 | (5,189) | 9,284 | 5,895 | |
| Transfers In | 1,539 | 71% | 57% | 4,198 | 1,160 | 1,148 | 1,008 | 2,168 | 1,075 | (1) |
| Transfers Out | (8,386) | 77% | 84% | (11,778) | (7,718) | (9,104) | (3,150) | (10,868) | (262) | |
| Fund Additions/(Deductions) | (0) | | | 0 | 0 | 0 | 0 | 0 | 0 | |
| Change in Unrestricted Net Assets | 107,069 | | | 26,055 | 7,915 | 2,055 | (7,331) | 584 | 6,708 | |
| Beginning Unrestricted Net Assets | 80,009 | | | 53,954 | 80,009 | 80,009 | 0 | 80,009 | 0 | |
| Ending Unrestricted Net Assets | \$187,078 | | | \$80,009 | \$87,924 | \$82,064 | (\$7,331) | \$80,593 | \$6,708 | |
| % Operating Revenues | | | | 13.4% | 14.2% | 13.3% | | 13.0% | | |
| Student FTE Enrollment-YTD Summer thru Winter | 19,762 | 74% | 71% | 27,022 | 26,717 | 26,717 | 1,116 | 27,833 | 1,116 | |

(1) The realization rate is higher than expected due to a \$1.0M transfer in from royalties for support of ATAMI project. This project was approved in this year's January board meeting thus the transfer was not previously projected.

**Oregon State University
Quarterly Operating Management Report**

**As of March 31, 2017
For the Fiscal Year Ended June 30, 2017**

(Unaudited, for management purposes only)

| | YTD Actual | | | | Budget & YE Projection | | | | | Notes |
|--|------------------|-------------------------------|------------------------------|----------------------------------|---------------------------------|--------------------------------------|------------------------------|-----------------------------------|----------------|-------|
| | A | B | C | 6/30/2016 Prior Yr. Actual | D | E | F | G | | |
| | YTD | YTD as a % of Projected | Prior 7 yr. avg. YTD % | | Adjusted Budget 6/30/2017 | Projected Variance from Budget | YE Projected 6/30/2017 | Chg from prior qtr. projection | | |
| (in thousands) | | | | | | | | | | |
| SELF-SUPPORT - Auxiliaries, Designated Operations and Service Departments | | | | | | | | | | |
| Enrollment Fees | \$35,374 | 95% | 97% | \$35,865 | \$37,763 | \$37,763 | (\$406) | 37,357 | (\$367) | |
| Sales & Services | 98,398 | 63% | 62% | 142,538 | 149,437 | 152,834 | 7,123 | 156,560 | 3,250 | (2) |
| Other | 24,027 | 67% | 72% | 36,191 | 32,970 | 34,822 | 2,878 | 35,848 | 649 | |
| Total Revenues | 157,799 | | | 214,594 | 220,170 | 225,419 | 9,595 | 229,765 | 3,532 | |
| Personnel Services | (77,977) | 72% | 73% | (99,973) | (111,696) | (111,145) | 3,322 | (108,374) | 1,782 | |
| Supplies & Services & Capital Outlay | (82,524) | 71% | 74% | (109,286) | (111,904) | (112,233) | (4,084) | (115,988) | (1,822) | |
| Total Expenditures | (160,501) | | | (209,259) | (223,600) | (223,378) | (762) | (224,362) | (40) | |
| Net from Operations | (2,702) | | | 5,335 | (3,430) | 2,041 | 8,833 | 5,403 | 3,492 | |
| Transfers In | 6,098 | 79% | 79% | 7,826 | 6,418 | 6,534 | 1,317 | 7,735 | 1,186 | |
| Transfers Out | (11,702) | 93% | 86% | (16,660) | (4,545) | (7,205) | (8,073) | (12,618) | (5,086) | (3) |
| Additions/(Deductions) to Unrestricted Net Assets | (2,418) | | | (13,265) | (8,198) | (8,379) | (593) | (8,791) | 0 | |
| Change in Unrestricted Net Assets | (10,724) | | | (16,764) | (9,755) | (7,009) | 1,484 | (8,271) | (408) | |
| Beginning Unrestricted Net Assets | 44,206 | | | 60,970 | 44,206 | 44,206 | 0 | 44,206 | 0 | |
| Ending Unrestricted Net Assets | \$33,482 | | | \$44,206 | \$34,451 | \$37,197 | \$1,484 | \$35,935 | (\$408) | |
| % of Operating Revenues | | | | 20.6% | 15.6% | 16.5% | | 15.6% | | |
| Total Unrestricted Net Assets | | | | 124,215 | \$122,375 | \$119,261 | | \$116,528 | | |
| Days of Expenditures in Total Unrestricted Funds | | | | 42 | 54 | 52 | | 51 | | |

(2) Sales & Services revenue has increased due primarily to Athletics higher Pac12 revenues of \$1.5M and \$0.9M in higher ticket sales than projected.

(3) Transfers out increased due mainly to plant fund transfers for Student Community Center - \$1.2M, Parking lot for seed lab - \$2.0M originally planned for a FY18 start and \$1.0M royalty support for ATAMI(see educational and general transfers in).

**Oregon State University
Quarterly Operating Management Report**

(Unaudited, for management purposes only)

**As of March 31, 2017
For the Fiscal Year Ended June 30, 2017**

(in thousands)

RESTRICTED

| | YTD Actual | | | | Budget & YE Projection | | | | | Notes |
|---|------------|-------------------------------|------------------------------|---------------------|------------------------|---------------------|--------------------------------------|------------------------------|-----------------------------------|-------|
| | A | B | C | 6/30/2016 | D | Adjusted | E | F | G | |
| | YTD | YTD as a % of Projected | Prior 7 yr. avg. YTD % | Prior Yr. Actual | Budget | Budget 6/30/2017 | Projected Variance from Budget | YE Projected 6/30/2017 | Chg from prior qtr. projection | |
| Federal | \$158,673 | 72% | 76% | \$216,171 | \$220,416 | \$222,936 | (\$909) | 219,507 | (\$3,152) | |
| State | 16,949 | 77% | 76% | 17,282 | 15,000 | 17,967 | 7,035 | 22,035 | \$1,483 | |
| Other | 64,089 | 68% | 63% | 86,985 | 98,890 | 95,661 | (5,329) | 93,561 | \$976 | |
| Total Revenues | 239,711 | | | 320,438 | 334,306 | 336,564 | 797 | 335,103 | (693) | |
| Personnel Services | (96,746) | 74% | 74% | (125,996) | (129,376) | (131,412) | (1,795) | (131,171) | \$593 | |
| Supplies & Services & Capital Outlay | (149,991) | 75% | 76% | (192,393) | (204,595) | (204,880) | 3,265 | (201,330) | \$2,891 | |
| Total Expenditures | (246,737) | | | (318,389) | (333,971) | (336,292) | 1,470 | (332,501) | 3,484 | |
| Net from Operations | (7,026) | | | 2,049 | 335 | 272 | 2,267 | 2,602 | 2,791 | |
| Transfers In | 120 | 33% | 59% | 0 | 0 | 650 | 364 | 364 | (\$286) | (4) |
| Transfers Out | (3,269) | 99% | 68% | (3,780) | (115) | (116) | (3,183) | (3,298) | (\$2,847) | (5) |
| Additions/(Deductions) to Restricted Net Assets | 0 | | | (19) | 0 | 0 | 0 | 0 | \$0 | |
| Change in Restricted Net Assets | (10,175) | | | (1,750) | 220 | 806 | (552) | (332) | (342) | |
| Beginning Restricted Net Assets | 10,548 | | | 12,298 | 10,548 | 10,548 | 0 | 10,548 | 0 | |
| Ending Restricted Net Assets | \$373 | | | \$10,548 | \$10,768 | \$11,354 | (\$552) | \$10,216 | (\$342) | |
| % of Operating Revenues | | | | 3.3% | 3.2% | 3.4% | | 3.0% | | |

(4) The realization rate is lower than expected due to \$0.3M of planned support for research vessel not occurring.

(5) The burn rate is higher than expected due to \$3.0M in plant transfers for supporting Forest Science Complex due to state bond match requirements.

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

As of March 31, 2017
For the Fiscal Year Ended June 30, 2017

| | Self-Support | | Plant fund | Restricted | Total | |
|---|--------------|-----------|--------------|------------|--------|---|
| | E&G | Auxiliary | | | | Designated Operations & Service Departments |
| Transfers In - E&G | - | \$ 156 | \$ 1,700 (e) | \$ 176 | \$ 136 | \$ 2,168 |
| Transfers Out - E&G | - | 4,028 (a) | 1,457 (b) | 5,019 (c) | 364 | 10,868 |
| Transfers In - Auxiliary | \$ 4,028 (a) | - | - | 2,250 (d) | - | 6,278 |
| Transfers Out - Auxiliary | 156 | - | - | 10,650 (c) | - | 10,806 |
| Transfers In - Designated Operations & Service Departments | 1,457 (b) | - | - | - | - | 1,457 |
| Transfers Out - Designated Operations & Service Departments | 1,700 (e) | - | - | 112 | - | 1,812 |
| Transfers In - Restricted | 364 | - | - | - | - | 364 |
| Transfers Out - Restricted | 136 | - | - | 3,162 | - | 3,298 |

- (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) closing out plant funds
- (e) mainly transfer of royalties to E&G-\$1.5M

Main changes since prior quarter

Additional transfers to plant funds: Student Community Centers-\$1.2M, Parking-\$2.0M and Forest Science Complex-\$3.0M
 Transfer to E&G from royalties to support ATAM-\$1.0M