

University of Connecticut (Storrs & Regional Campuses) – FY11

Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2011

Results of Annual Operations

The enclosed report comparing the Operating and Research Funds actual results to budget for the twelve month period ended June 30, 2011 reflects unaudited figures and is subject to additional year-end accounting and audit adjustments.

On June 10, 2010, the Board of Trustees approved a Spending Plan for Fiscal Year 2011 which included \$1,033.5 million of revenue to cover \$1,047.5 million in expenses and transfers. The budgeted net loss of \$14.0 million consisted of the \$1.0 million reserve repayment from the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union, and a \$15.0 million transfer from University operating reserves to the State General Fund as required by the 2011 State budget.

The University ended the year with an unrestricted Operating Budget loss of \$0.5 million (Operating Fund \$1.3 million and Research Fund (\$1.8) million) and a restricted gain of \$2.2 million (Operating Fund \$2.6 million and Research Fund (\$0.4) million). The Operating Fund unrestricted net gain of \$3.9 million was more than anticipated primarily due to greater tuition and fees, additional federal and state financial aid, and a successful post season for Athletics. An analysis of the results of operations for various categories of accounts is presented below.

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Total</u>
Unrestricted	\$1.3	(\$1.8)	(\$0.5)
Restricted	<u>2.6</u>	<u>(0.4)</u>	<u>2.2</u>
Total	\$3.9	(\$2.2)	\$1.7

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the Fiscal Year 2011 were \$960.9 million which represented 102.4% of the annual budget. Last fiscal year, Operating Fund revenue collections represented 100.1% of the annual budget. A major source of revenue, **State Support**, consisted of a \$232.5 million appropriation and a fringe benefit allotment of \$96.4 million. The State Support amount is consistent with the University's Biweekly Schedule of State Appropriation Transfers. State Support represented 34.2% of total Operating Fund receipts for the year.

Tuition collections were the second largest source of revenue, totaling \$246.1 million, which represented 25.6% of total Operating Fund receipts. Tuition receipts were 102.5% of the annual amount budgeted (\$240.1 million). Tuition revenue collections reflected a 5.66% rate increase coupled with a 1.6% increase in the number of undergraduate degree-seeking students who account for approximately 86.3% of tuition revenues. Overall enrollment was 2.0% higher than budgeted. Tuition revenue was greater than budgeted at fiscal year-end.

Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off campus MBA, EMBA, etc.). Also included

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in this category is the General University Fee, which primarily supports four Auxiliary Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. Due to higher enrollment than projected and better than expected summer session enrollment, Fee revenues were ahead of budget at \$92.3 million or 101.6% of the amount budgeted.

Auxiliary Enterprise Revenue for Fiscal Year 2011 was \$176.4 million which represented 103.6% of the annual budgeted amount. This is largely due to a successful post season for Athletics. Auxiliary revenue consists primarily of Room and Board fees which reflected rate increases of 7.0% and 6.0% respectively (\$134.2 million) and Athletic Department receipts (\$38.0 million).

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For Fiscal Year 2011, Gifts, Grants and Contracts revenue of \$88.5 million, which included \$18.5 million from the UConn Foundation, was 112.2% of the annual budget. This category was greater than budgeted for the year in large part because of additional federal and state financial aid funds.

Investment Income for Fiscal Year 2011 was \$1.0 million. Interest rates in the State Treasurer’s STIF were 0.21% by the end of the fiscal year. The average interest rate for Fiscal Year 2011 was 0.23% compared to 0.33% for Fiscal Year 2010.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$27.6 million and were slightly ahead of budget primarily due to greater activity in certain Educational Activities (i.e. Study Abroad, Roper Center, and Institute of Materials Science).

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. Research Fund revenues were \$97.3 million and represented 102.6% of the amount budgeted. In Fiscal Year 2010, Research Fund revenues totaled \$89.7 million and represented 104.5% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for Fiscal Year 2011 were \$894.0 million or 101.7% of the annual budgeted amount. Fiscal Year 2010 reflected expenditures of 98.8% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	100.3%
Fringe Benefits	97.9%
Other Expenses	104.8%
Equipment	97.7%
Student Aid	107.5%

Personal Services/Fringe Benefits represented 99.6% of the annual budgeted amount of \$563.4 million. The official full-time faculty count (based on IPEDS federal reporting

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standards) was 18 more than the prior year. This category was under budget due to less fringe benefit expenditures than budgeted.

Other Expenses (including energy costs) were \$196.9 million and represented 104.8% of the amount budgeted. Energy expenditures were below budget for the year due to favorable gas prices. Other Expenses (excluding energy costs) were greater than anticipated primarily due to the encumbrances at the end of fiscal year 2010 that became expenses in the first two quarters of fiscal year 2011 and the additional cost of hiring a consulting firm to examine operations and recommend savings and revenue-enhancements. Also, contributing to this category was higher than expected expenditures in Athletics due to successful post season participation.

Equipment expenditures of \$17.4 million were 97.7% of the amount budgeted or \$415,000 below budget.

Student Aid expenditures were \$118.4 million and represented 107.5% of the amount budgeted. This category was greater than budgeted for the year due primarily to additional federal and state funds. This increase in expenditures was offset by the additional state and federal revenue and \$1.6 million of University resources.

Expenditures - Operating Fund Transfers

The **Transfers** line reflects transfers for bond and installment loan payments, payments for the capital lease for the cogeneration plant, and transfers to Plant Funds for construction and information technology projects. Transfers were \$63.0 million or 85.7% of the amount budgeted at year-end. Transfers were less than budgeted due to the revised funding plan for the water reclamation project that reallocated some existing plant fund balances as opposed to using current year revenues. In addition, the timing of future Student Affairs projects has been adjusted to accommodate the current construction schedule and to recognize the limited window of opportunity to actually complete many repairs and renovations since some projects cannot be done while students are occupying the buildings.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$99.5 million and represented 104.9% of the budgeted amount. In Fiscal Year 2010, Research Fund expenditures and transfers totaled \$88.1 million and represented 102.7% of the budgeted amount. Research expenditures and transfers exceeded the budget due to equipment expenditures and Research Fund support for the Torrey Life Sciences 1st Floor construction project.

Enrollment

Total University enrollment for fall 2010 (excluding the Health Center) was up 1.7% from fall 2009 and undergraduate enrollment (degree and non-degree) was up 1.8%. The budget was based on lower enrollment levels.

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Current Funds Unrestricted Fund Balance

The University had a combined net gain of \$1.7 million for the fiscal year ended June 30, 2011, which was comprised of a \$0.5 million unrestricted net loss and a \$2.2 million restricted net gain. This resulted in a Current Funds Unrestricted Fund Balance of \$71.0 million. The unrestricted fund balance represented 7.8% of the Fiscal Year 2011 unrestricted expenditure budget (\$910.1 million) or, alternatively stated, 28 days' worth of operations.

The \$71.0 million current funds balance represents the funds remaining in the following operating areas: the research fund (designated for research); the auxiliary operations (residential, dining, health, student activities and recreational services); and departmental generated (self-supporting fee-based instructional programs such as Continuing Studies and MBA).

The unrestricted current funds balance is our operating capital and support for programs and activities that generate revenue and are not supported by the State appropriation. We borrow from the fund balance to pay our bills when necessary. Additionally, in 2010 the Governor requested fund balances totaling \$8 million from us during the fiscal year. We were able to meet this obligation using existing fund balance. The fund balance allows us to manage these dislocations without disrupting the University's operations.

Fund balances may be held in a departmental account for start-up costs for new faculty conducting research. Additionally, under the provisions of UCONN 2000, the University is required to maintain a renewal and replacement fund to keep projects in sound operating condition; the fund balance serves this purpose under the Master Indenture. These balances also include inventory, prepaid expenses and encumbrances.

Throughout the year, when funds are available, we also set aside dollars in accounts for planned one-time expenditures, mostly capital. These accounts comprise our plant funds. These balances are primarily for Auxiliary Enterprise projects such as Residential Life, Dining Services, Student Health Services, Student Union and Athletics. The University has a policy that a departmentally funded construction project cannot begin unless the funding has been identified and transferred to plant funds. For Residential Life and Dining Services projects, the window of opportunity to actually complete many repairs, renovations and improvements is limited as some projects cannot be done while students are occupying the buildings, so the actual spending of the cash is a timing issue. Also, the plant funds balance includes \$27 million set-aside for the water reclamation project. This project started at the beginning of June 2011 with substantial completion expected by fall 2012.

The FY11 year-end unrestricted net assets of \$175.4 million (unaudited) consisted of \$71.0 million current funds balance, \$69.4 million in unexpended plant funds and \$35.0 million in funds that are internally restricted for the retirement of indebtedness.

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FY 2011 Changes in Unrestricted Net Assets (Unaudited)

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
Net Assets, 6/30/11 (Unaudited)					
Restricted	\$17,399,025	\$516,145	\$17,915,170	\$1,202,066,349	\$1,219,981,519
Unrestricted	51,145,265	19,840,389	70,985,654	104,388,236	175,373,890
Total Net Assets, 6/30/11 (Unaudited)	<u>\$68,544,290</u>	<u>\$20,356,534</u>	<u>\$88,900,824</u>	<u>\$1,306,454,585</u>	<u>\$1,395,355,409</u>

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>		<u>Total</u>
				<u>Internally Designated for Retirement of Indebtedness</u>	<u>Unexpended Plant Funds</u>	
Unrestricted Net Assets 6/30/10						
Non-spendable	\$ 6,647,916	\$ -	\$ 6,647,916	\$ -	\$ 83,546	\$ 6,731,462
Committed	-	-	-	-	44,716,104	44,716,104
Assigned	43,161,079	21,692,207	64,853,286	35,015,416	11,490,734	111,359,436
Unrestricted Net Assets 6/30/10	<u>\$ 49,808,995</u>	<u>\$ 21,692,207</u>	<u>\$ 71,501,202</u>	<u>\$ 35,015,416</u>	<u>\$ 56,290,384</u>	<u>\$ 162,807,002</u>
Unrestricted Net Assets, 6/30/11 (Unaudited)						
Non-spendable	\$ 7,235,862	\$ 36,369	\$ 7,272,231	\$ -	\$ 87,410	\$ 7,359,641
Committed	-	-	-	-	69,278,044	69,278,044
Assigned	43,909,403	19,804,020	63,713,423	35,022,782	-	98,736,205
Unrestricted Net Assets, 6/30/11 (Unaudited)	<u>\$ 51,145,265</u>	<u>\$ 19,840,389</u>	<u>\$ 70,985,654</u>	<u>\$ 35,022,782</u>	<u>\$ 69,365,454</u>	<u>\$ 175,373,890</u>
Net Unrestricted Increase (Decrease) 6/30/11	<u>\$ (1,336,270)</u>	<u>\$ 1,851,818</u>	<u>\$ 515,548</u>	<u>\$ (7,366)</u>	<u>\$ (13,075,070)</u>	<u>\$ (12,566,888)</u>

Note regarding Assigned and Committed Unrestricted Net Assets:

- Under provisions of the UCONN 2000 indentures, the University is required to maintain a renewal and replacement fund to keep projects in sound operating condition.
- The Research Fund is primarily generated by grant overhead (IDC) and the funds are designated to the Research Foundation, schools/colleges/departments and individual principal investigators.
- The University has traditionally been very conservative with regard to saving for debt obligations, maintaining funds at a level of approximately 1.76 times our annual debt payments.
- Departmental generated funds come from self-supporting fee based (not tuition) instructional programs.
- Board of Trustees reserve policy is 90 days of current fund expenditures. The 6/30/11 balance represents approximately 28 days.
- Unexpended plant funds includes cash resources for capital projects approved by the B&G Committee or the Board of Trustees for Auxiliary Enterprise operations as well as funds set aside to address on-going code related corrective action. The University has a policy that a departmentally funded construction project does not begin unless the funding has been identified and transferred to plant funds.