

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Three Months Ended September 30, 2010

Summary

On June 10, 2010, the Board of Trustees approved a Spending Plan for Fiscal Year 2011 which includes \$1,033.5 million of revenue to cover \$1,047.5 million in expenses and transfers. The net loss of \$14.0 million consists 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.

Financial results for the first three months of Fiscal Year 2011 reflected a number of different factors when compared to budget. Actual revenue totaled \$393.2 million or 38.0% of the budget. At the close of September, the University expenditures and transfers totaled \$301.9 million or 28.8% of the budget.

The net gain for the Operating Fund shown in this three month report is not indicative of expected annual results, as most Operating Fund revenue is typically received in the first and second quarters of the fiscal year while expenditures are more evenly distributed throughout the year.

A more detailed review of the first three months of Fiscal Year 2011 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first three months of Fiscal Year 2011 were \$363.6 million which represented 38.7% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 37.6% of the annual budget. A major source of revenue, **State Support**, consisted of a \$61.3 million appropriation and a fringe benefit allotment of \$26.0 million. State Support represented 24.0% of total Operating Fund receipts for the first three months.

Tuition collections were the largest source of revenue, totaling \$123.0 million, which represented 33.8% of total Operating Fund receipts. Tuition receipts were 51.2% of the annual amount budgeted (\$240.1 million). Tuition revenue collections reflect a 5.66% rate increase coupled with a 1.6% increase in the number of undergraduate degree-seeking students who account for approximately 86.8% of budgeted tuition revenues. Overall enrollment is 2.0% higher than budgeted. Tuition revenue is projected to be greater than originally budgeted.

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 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, the first three months Fee collections were ahead of budget at \$40.5 million or 44.5% of the amount budgeted.

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Auxiliary Enterprise Revenue for the first three months of Fiscal Year 2011 was \$72.9 million which represented 42.8% of the annual budgeted amount and was greater than projected due to a greater amount of students housed and more meal plans than anticipated. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 7.0% and 6.0% respectively (\$59.5 million) and Athletic Department receipts (\$11.4 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 the first three months of Fiscal Year 2011, Gifts, Grants and Contracts revenue of \$31.2 million, which included \$0.8 million from the UConn Foundation, was 39.6% of the annual budget. This category is expected to be greater than budgeted for the year because of additional federal and state financial aid funds.

Most **Investment Income** is reported in the quarter subsequent to when it is earned except for the fourth quarter (June 30) when it is accrued for annual reporting purposes. Consequently, the amount received (\$23,418) does not reflect the actual amount earned for the first quarter.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$8.7 million and were slightly ahead of budget primarily due to timing.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first three months, Research Fund revenues were \$29.6 million and represented 31.2% of the amount budgeted. In Fiscal Year 2010, Research Fund revenues reported in the first three months totaled \$28.1 million and represented 32.8% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first three months of Fiscal Year 2011 were \$253.8 million or 28.9% of the annual budgeted amount. The spending pattern for the first quarter of Fiscal Year 2010 reflected expenditures of 27.0% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	25.1%
Fringe Benefits	25.8%
Other Expenses	26.1%
Equipment	31.8%
Student Aid	51.7%

Personal Services/Fringe Benefits represented 25.3% of the annual budgeted amount of \$563.4 million. While the personal services expenditures were on track for the first quarter, the fringe benefit costs were greater due to higher fringe benefit rates than budgeted. Official full-time faculty and staff counts (based on IPEDS federal reporting standards) will be available in the second quarter.

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Other Expenses (including energy costs) were \$49.0 million for the first three months and represented 26.1% of the amount budgeted. Energy expenditures are projected to be slightly below budget for the year due to favorable gas prices. Other Expenses (excluding energy costs) are greater than anticipated for the first quarter, and is expected to continue thorough out the year. This is primarily due to the encumbrances at the end of fiscal year 2010 that became expenses in the first quarter of fiscal year 2011.

Equipment expenditures of \$5.7 million were 31.8% of the amount budgeted. This category was greater than expected for the first quarter due to equipment that was encumbered at fiscal year 2010 year-end that became expenditures in the first quarter of fiscal year 2011. Annual equipment expenditures are projected to be higher than budgeted for the fiscal year.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first quarter, Student Aid expenditures were \$56.9 million and represented 51.7% of the amount budgeted. This category was ahead of the first quarter projection and will be greater than budgeted for the year due to additional federal and state funds. The increase in expenditures is offset by the additional state and federal revenue.

Expenditures - Operating Fund Transfers

Transfers for the first quarter were slightly ahead of budget at \$12.7 million or 17.3% of the amount budgeted and consisted of transfers to Plant Funds for construction projects.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$35.4 million and represented 37.3% of the budgeted amount. In Fiscal Year 2010, Research Fund expenditures and transfers reported in the first three months totaled \$25.1 million and represented 29.2% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. However, it is anticipated that Research expenditures will exceed budget particularly in the equipment line item.

Enrollment

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

Fund Balance

The University's budget is projected to have a net loss of \$14.0 million for the fiscal year ended June 30, 2011, which results in a Current Funds Unrestricted Fund Balance of \$56.9 million (Operating Fund-\$35.2 million; Research Fund-\$21.7 million). The fund balance represents 6.3% of the current year's unrestricted expenditure budget (\$910.1M). Also, in accordance with current University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditures in the current and future fiscal years.

UNAUDITED
University of Connecticut (Storrs & Regionals)
Estimated Annual Changes in Unrestricted Net Assets
FY2011

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
Net Assets, 6/30/10 (Unaudited)					
Restricted	\$ 14,871,089	\$ 792,457	\$ 15,663,546	\$ 1,270,471,309	\$ 1,286,134,855
Unrestricted	49,177,261	21,692,207	70,869,468	91,305,800	162,175,268
Total Net Assets, 6/30/10 (Unaudited)	\$ 64,048,350	\$ 22,484,664	\$ 86,533,014	\$ 1,361,777,109	\$ 1,448,310,123

Unrestricted Revenues & Expenditures/Debt Service FY11

	<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>	
Revenues	\$ 874,349,897	\$ 21,810,000	\$ 896,159,897	\$ 10,000	\$ -	\$ 896,169,897
Transfers In	-	-	-	20,550,651 ^A	42,377,064 ^A	62,927,715
Subtotal	\$ 874,349,897	\$ 21,810,000	\$ 896,159,897	\$ 20,560,651	\$ 42,377,064	\$ 959,097,612
Expenditures/Debt Service	\$ 814,891,282	\$ 17,310,000	\$ 832,201,282	20,560,651	\$ 35,000,000	\$ 887,761,933
Transfers Out	58,427,715	4,500,000	62,927,715	-	-	62,927,715
Transfer to State General Fund	15,000,000	-	15,000,000	-	-	15,000,000
Subtotal	\$ 888,318,997	\$ 21,810,000	\$ 910,128,997	\$ 20,560,651	\$ 35,000,000	\$ 965,689,648
Net Increase (Decrease)	\$ (13,969,100)	\$ -	\$ (13,969,100)	\$ -	\$ 7,377,064 ^B	\$ (6,592,036)

Estimated Unrestricted Net Assets

Non-spendable	\$ 6,296,853	\$ -	\$ 6,296,853	\$ -	\$ 83,546	\$ 6,380,399
Committed	-	-	-	-	44,716,104	\$ 44,716,104
Assigned	42,880,408	21,692,207	64,572,615	35,015,416	11,490,734	111,078,765
Unrestricted Net Assets 6/30/10 (Unaudited)	49,177,261	21,692,207	70,869,468 ^C	35,015,416	56,290,384	162,175,268
Projected Operating Change-Assigned	(13,969,100)	-	(13,969,100)	-	-	(13,969,100)
Projected Non-Operating Change-Committed	-	-	-	-	7,377,064 ^B	7,377,064
Estimated Unrestricted Assets 6/30/11	\$ 35,208,161	\$ 21,692,207	\$ 56,900,368	\$ 35,015,416	\$ 63,667,448	\$ 155,583,232

^A Represents transfers from operating and research funds for debt service and capital projects.

^B Primarily represents transfers for auxiliary projects which are funded from revenue generated from room and board (not state appropriation or tuition). 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. For Residential Life projects the window of opportunity to actually complete many repairs and renovations is limited as many projects cannot be done while students are occupying the buildings. Board action is anticipated before year-end.

^C Board of Trustees reserve policy is 90 days of current fund expenditures. The current balance represents approximately 28 days.

Note regarding Assigned 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 savings for debt obligations, maintaining funds at a level of approximately 1.75 times our annual debt payments.

~Departmental generated funds come from self-supporting fee based instructional programs (not tuition).

~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.